

Digging Up Congo's Dirty Gems

Officials Say Diamond Trade Funds Radical Islamic Groups

A man holds a stack of Congolese francs as a diamond seller calculates the price of a diamond. (AP)

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Washington Post Foreign Service

Sunday, December 30, 2001; Page A01

KINSHASA, Congo -- For much of the past decade, radical Islamic organizations have increasingly turned to a shadowy, lucrative means of survival: diamonds from this vast, war-torn Central African country.

Interviews with diamond dealers, intelligence sources, diplomats and investigators in Belgium, the United States and Western and Central Africa open a window on how such groups have exploited the corruption and chaos endemic to Congo to tap into the diamond trade and funnel millions of dollars to their organizations back home. The most prominent of these groups is the radical Lebanon-based movement Hezbollah, these sources said.

In some cases, the militant groups have worked in Congo with Lebanese diamond dealers who also conducted business in Sierra Leone with men identified by the United States as key operatives for Osama bin Laden's al Qaeda network, international investigators and regional diamond dealers said.

European and U.S. investigators have been working to untangle the finances of bin Laden's network, and the complex diamond trail may shed light on the flow of money and treasure that are outside the conventional banking and financial systems, the officials said.

"While we have seen little overlap between the operations or finances of Hezbollah and al Qaeda, we see some overlap among the dealers we believe worked with both groups," said one European investigator. "We are only now beginning to see the interconnectedness of criminal organizations across the region that are willing to deal with anyone if the price is right and ask no questions. Those are the people different terrorist organizations sought out."

Since the Sept. 11 terrorist attacks on the United States, President Bush has repeatedly said that choking off the funding for terrorist organizations was one of his priorities in the global war against terrorism. Now U.S. and European officials say that tracing and disrupting profitable terrorist enterprises in African countries that have virtually no functioning governments will be an important component of the next phase in that fight.

U.S. officials said they had vastly underestimated the amount of money al Qaeda and other terrorist organizations controlled, and that they were investigating terrorist links not only to the Congo diamond trade, but also to Congo's gold and uranium trade, as well as the trade of diamonds and the semiprecious stone tanzanite in neighboring Tanzania.

"We are beginning to understand how easy it is to move money through commodities like diamonds, which can't be traced and can be easily stored," said one U.S. official. "One thing we are learning is not to ignore the obvious."

Johan Peleman, who monitors the illegal weapons and diamond trades in West Africa for the United Nations, said "failed or collapsed states" such as Congo, Liberia and Sierra Leone "become free-trade zones for the underworld," where the actors are "international players in the field of chaos, violence and intimidation: organized crime networks and terror groups."

"The black market in arms and in diamonds, but also trafficking in human beings, passports, gold and narcotics, is what connects the local players to the global underworld economy," Peleman said. "It is fascinating but especially frightening to see how these international networks have assimilated these areas into their worldwide structures, while the international community has had to withdraw from them."

Fraction of Market Value

Diamond dealers and intelligence sources said Hezbollah and other groups buy diamonds in Congo -- sometimes through middlemen, sometimes directly from miners, but always at a fraction of their market value. They are then smuggled out of the country. The best-quality stones are sold in Antwerp, Belgium's diamond-marketing hub, while the bulk of the stones go to such emerging diamond centers as Dubai in the United Arab Emirates and Bombay.

The diamonds are sold for sizable profits, allowing the groups to finance their operations. Over the past two decades, Hezbollah's Iranian-backed military wing has been infamous for its attacks on U.S. targets, including the 1983 bombings of the U.S. Marine barracks and U.S. Embassy in Beirut, the Lebanese capital, and for the kidnapping of Americans in Lebanon during the 1980s.

"It is in the past three years or so, as the Congo really became the Wild West, that we see the influx of hard-core Islamist extremists here," said one intelligence source. "We know Hezbollah is here, we know other groups are here, but they can probably operate a long time before we know enough to stop them."

Congo, a country about the size of Western Europe with a population of 46 million, has been riven by insurrections, war and corruption since its independence from Belgium in 1960. Ruled from 1965 to 1997 by dictator Mobutu Sese Seko, then effectively partitioned by a pair of rebellions, Congo has few roads, hospitals or schools.

Problems and Wealth

Kinshasa, a sprawling city of 5 million, was relatively untouched by the years of warfare, but what is left of its colonial-era infrastructure is crumbling in the tropical heat and moisture. Electricity is intermittent, the once-paved roads are rutted and washed out, telephone service is almost inoperative, and armed soldiers from various armies patrol the streets.

But Congo also has immense natural wealth: diamond fields, abundant timber and rich deposits of gold, uranium, tantalite and copper. Rather than enrich the country, Congo's resources have put money in the pockets of a relative few. First, Mobutu and his cronies split the treasure; now the armies of various neighboring countries have carved out portions of rich Congolese territory. They did so after the 1998 rebellion aimed at toppling Mobutu's successor, Laurent Kabila.

Though Kabila was assassinated a year ago, his allies -- principally Angola and Zimbabwe -- were rewarded with mineral concessions. Rwanda and Uganda, backers of the rebellion, also have laid claim to portions of Congo's riches.

A report to the U.N. Security Council, written by a panel of experts and released in April, found that "exploitation of the natural resources of the Democratic Republic of Congo by foreign armies has become systemic and systematic. Plundering, looting and racketeering and the constitution of criminal cartels are becoming commonplace. These criminal cartels have ramifications and connections worldwide, and they represent the next serious security problem in the region."

Authorities in Antwerp -- where more than 90 percent of the world's diamonds are bought, sold, polished or cut -- estimate that about \$600 million in diamonds are exported annually from Congo but that only about \$180 million worth of the stones are exported legally. The rest are smuggled out and sold in different markets.

"How much of those smuggled diamonds go to these [terrorist] organizations is impossible to say," said a European investigator in Kinshasa. "And how much of what they take goes to terrorist activities and how much goes to their other work like hospitals and feeding programs is even more difficult to determine. We are only now really beginning to look at this and it will take a long time to have a clear understanding of the operations."

The Congolese government acknowledges that in a country where flight plans, customs, and immigration and passport control can easily be avoided, smuggling is difficult to combat, and terrorist activity hard to detect.

"We know Congo is a very fertile territory for terrorist activities," said Information Minister Kikaya Bin Karubi. "We have a huge country with a huge jungle where people can do anything and we don't know anything about it. So many people bring dirty money to Congo, Congo being in its current state of affairs. We are very concerned."

Ties to Al Qaeda Alleged

In the past 18 months, two Belgian intelligence reports have linked the Congolese diamond trade to the funding of terrorist organizations, specifically Hezbollah. Belgian and U.S. officials familiar with the reports said they warned that Antwerp was becoming the financial headquarters for radical Islamic groups and urged that more intelligence resources be dedicated to monitoring and investigating the groups' finances.

After being ignored for months, those requests are only now being addressed, Belgian officials said. Among those now under criminal investigation in Belgium are Samih Osailly and his cousin, Aziz Nassour, Lebanese diamond merchants linked by witnesses to dealing with al Qaeda in Sierra Leone, according to Belgian law enforcement officials.

The two men said in separate interviews that they were involved in the diamond business in both Sierra Leone and Congo but strongly denied any ties to radical Islamic organizations or al Qaeda. Osailly and Nassour are of particular interest to European and U.S. investigators. They have a long history as important middlemen in the diamond trade in Congo, mostly in rebel-controlled regions.

The sources with direct knowledge of the deals said Osailly and Nassour began working closely with al Qaeda operatives in West Africa last year, shipping millions of dollars of diamonds from rebel-controlled areas of Sierra Leone through neighboring Liberia. Both men, Belgian and U.S. officials said, are important middlemen for a wide variety of Islamic organizations.

According to sources with direct knowledge of the transactions, Osailly and Nassour sold large quantities of diamonds to Abdullah Ahmed Abdullah, Ahmed Khalfan Ghailani and Fazul Abdullah Mohammed -- all of whom are identified as al Qaeda operatives on the FBI's Most Wanted Terrorists list.

Because of their ties to the illegal diamond trade in Sierra Leone and Liberia, both men earlier this year were barred from international travel under U.N. sanctions imposed on participants in the illicit diamonds-for-weapons trade in West Africa.

Business associates who know the two men well said Nassour was a gruff, hardheaded businessman who made a fortune in the diamond trade, while Osailly worked for Nassour and was not particularly successful in his own right.

The report to the U.N. Security Council on Congo identified Nassour as one of the main dealers of "conflict diamonds," or diamonds used to finance Africa's wars, in eastern Congo and said he provided about \$2 million a year in tax revenue to Rwandan-backed rebels in the area where he operated.

In a telephone interview from Beirut, Nassour said the allegations of his ties to al Qaeda or other terrorist groups were "absolutely incorrect and untrue" and have "seriously hurt me and my business." Nassour, who diamond dealers said had survived longer than most in the cutthroat world of diamond-dealing in Africa, said the allegations were spread by competitors in the diamond trade.

Nassour, who had a monopoly on diamond exports from rebel-held territory in Congo's north-central Kisangani region until December 2000, said he did not always know who was buying his diamonds. "Guys are calling us all the time," Nassour said. "We don't know if they are Qaeda or not Qaeda. We are selling diamonds."

The Washington Post reported last month that sources with direct knowledge of the sale of Sierra Leonean diamonds to al Qaeda operatives said the sales were directed by Nassour, who used the code name Alpha Zulu.

The sources said Nassour and Osailly ran the operation from a safe house in Monrovia, the capital of neighboring Liberia, and that the diamonds were bought and shipped by people Nassour sent from his diamond operation in Congo.

Nassour said in the interview that he was widely known in Congo as Alpha Zulu but had not used the name elsewhere. He also said he had long-standing working relationships in Congo with the men who then staffed the house in Monrovia.

But Nassour said he did not know they had gone to Monrovia and that he did not meet with them when he visited there in July. He said the visit was tied to a prospective deal for mobile phones.

But sources involved in the diamond trade said the visit was made to cement his diamond-dealing relationship with the Sierra Leone rebels.

Shifting of Control

Osailly, in an interview, also denied dealing with the al Qaeda operatives, but said he did not always know the identity of his buyers. He said he lived in Monrovia and was in the diamond trade there for several months last year and this year.

Osailly, 35, a soft-spoken resident of Antwerp, said he received funding for his diamond-buying venture from Nassour. But Osailly said the reports of his ties to Hezbollah were fabricated by his ex-wife during a custody battle for their children.

Control of much of the diamond trade in Congo has shifted in recent years, from well-established Lebanese businessmen who had been in the country for decades to younger, violent middlemen who muscled their way into the business and are closely tied to Hezbollah and other radical Islamist groups, according to diamond dealers and intelligence officials.

Intelligence sources here said some of the new businessmen were Palestinians who were active in Lebanon's 1975-90 civil war and were given Lebanese passports after the war in exchange for promises to leave the country as it stabilized.

"The face of the business has changed," said one source in the diamond business in Kinshasa. "Hezbollah and the others have always been here, but not like in recent years. Now we have all these people who say they are not known to us or our families, and they are much more political. They even extort money from other dealers for the cause."

As the importance of conflict diamonds has grown over the years, so have efforts by activists around the world to keep such gems off the international market.

The Kimberly Process, a series of meetings among diamond-producing states and countries that are major markets, resulted last month in a draft agreement that would theoretically make all diamonds traceable to their points of origin. The agreement is to be presented to the United Nations early next year.

Belgium has moved in the past two years to make the importation of conflict diamonds more difficult. But while conflict diamonds make up less than 10 percent of the \$10 billion global diamond trade, senior Belgian officials said they were afraid the growing international outrage would cause the diamond trade to decline, and that controls would only prompt dealers in conflict diamonds to seek new markets.

"There is nothing wrong with the legal trade in diamonds, it is a beautiful product," said a senior Belgian official who deals with the diamond trade. "But the illegal trade is a big problem. Conflict diamonds are used to some extent to finance terrorist networks. We are trying to plug the holes here, but unless all the holes are plugged at once, the money just flows through another hole."

An Unregulated Trade

Many of the diamonds bought by Hezbollah and other radical groups in Congo are sold in less-regulated diamond markets that have sprung up in countries where the organizations can operate relatively freely, such as Dubai, Mauritius and India, according to diamond dealers here and diplomats and intelligence sources monitoring the trade.

As an example of just how unregulated the diamond trade is, diplomats and diamond dealers here said, there now are direct charter flights to Dubai from some of Congo's richest diamond and gold areas. The planes file no flight plans and no cargo manifests.

"Borders here, in terms of control, are a joke," said a senior diplomat in Kinshasa. "Who is going to control charter flights from diamond fields when there are not even radars to cover most of the country? Basically this is a country without authority."

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