

## Gold by Montresor

### Soviets move on diamonds, platinum

*Gemstones are a convenient vehicle for "laundering" illegal money—is there a connection?*

**T**he Soviets, through their role in the forced bankruptcy of the Argos platinum-trading group in London, as well as the gold-pool bank of Johnson Matthey last month, have already taken steps to command the market for precious metals. They are acting in parallel in the market for gemstones. According to one of the largest diamond-cutting houses in the world diamond capital of Antwerp, Belgium, the huge South African mining giant, De Beers, has held a series of unpublicized meetings in Moscow as well as London in recent weeks in an attempt to control a recent flood of Russian diamond exports to the West.

According to the trade association of the world's most important diamond trading and cutting center in Antwerp, the Russians have unleashed a glut condition on the currently depressed world diamond markets. According to the Diamond High Council, export quantities are double the level of one year ago at least through the first nine months of this year. The dollar value of the Siberia-Antwerp trade through October is estimated at some \$300 million or 452,000 carats. Antwerp diamond houses confirm that the volume of diamond dumping through Antwerp from the Russian side in the past month, despite a reported "gentlemen's accord" between the South African diamond monopoly, De Beers, and Moscow, has shown no signs of abatement. In the \$18 billion diamond market, South Africa is the largest resource base, with the Soviet Union a

close second, followed by Zaire and Australia in relative importance.

According to Antwerp traders, the Russians use Antwerp as a convenient base in which to "launder" Soviet-origin diamonds into a mix with South African and other Western-origin gems, which then find their way into U.S. markets under the rubric of "Antwerp-origin" diamonds. One leading Antwerp diamond dealer, Jacques Zucker of Lachowski-Zucker, confirmed recent negotiations between the huge Oppenheimer Group's London diamond marketing firm, Central Selling Organization (CSO), and the Russian state-owned diamond monopoly. "The Russians and the South Africans," he stated, "are vying for market share." Although De Beers controls a formidable 80% share of the Western diamond markets, Moscow has developed a major market influence over a weak market through dumping procedures which threaten to bankrupt major Antwerp diamond houses by forcing prices below profitability.

The CSO, referred to in the industry appropriately as the "syndicate," has bought rough or uncut diamonds from the Russians for a number of years. Its large London headquarters also houses a sublet to the Soviet diamond monopoly. It makes for convenience if nothing else. U.S. government estimates are that the Soviet Union produces some 17 million carats per year in diamonds for both industrial and gem uses. Most of the uncut diamonds are reportedly sold on

contract to the Oppenheimer CSO, which then distributes the stones to dealers in Tel Aviv, New York, etc.

Otherwise, Soviet dirty operations came to light in London last week when one of the world's most important platinum dealers, Argos Metals of London collapsed. According to knowledgeable sources in London, Argos was the major Western outlet for Soviet platinum exports. A delegation from Moscow is reportedly coming to London in several days to meet with Argos' receivers.

Bankruptcy proceedings put on public record for the first time that the Zurich-based Swiss Bank Corporation is the principal financial outlet for export of Soviet platinum to the West. Swiss Bankcorp and the Soviets reportedly refused to provide Argos the needed short-term credit to avoid bankruptcy in the face of forced call-in of debts owed to Johnson Matthey by Bank of England auditors.

In September, the Bank of England was compelled to re-organize Johnson Matthey Bankers, the London merchant bank affiliate of one of the five London gold-pool operators, after the Soviets threatened to withdraw gold business from London. The Bank of England turned the management of JMB over to the Oppenheimer interests of Anglo-American Mining, through the Oppenheimers' London-based Charterhouse Group; the Oppenheimers have been, since 1980, the Soviets' closest ally in the world gold markets.

JMB's failure was, in part, due to large losses in a new Florida venture in retail jewelry last year. One source in London speculated that recent Reagan anti-drug task-force crackdowns on the Florida illicit drug traffic may have been the cause of the JMB losses in its diamond retailing venture. Diamonds are a convenient vehicle for "laundering" of illegal drug profits.