

# MUGABE'S DIRTY DIAMONDS

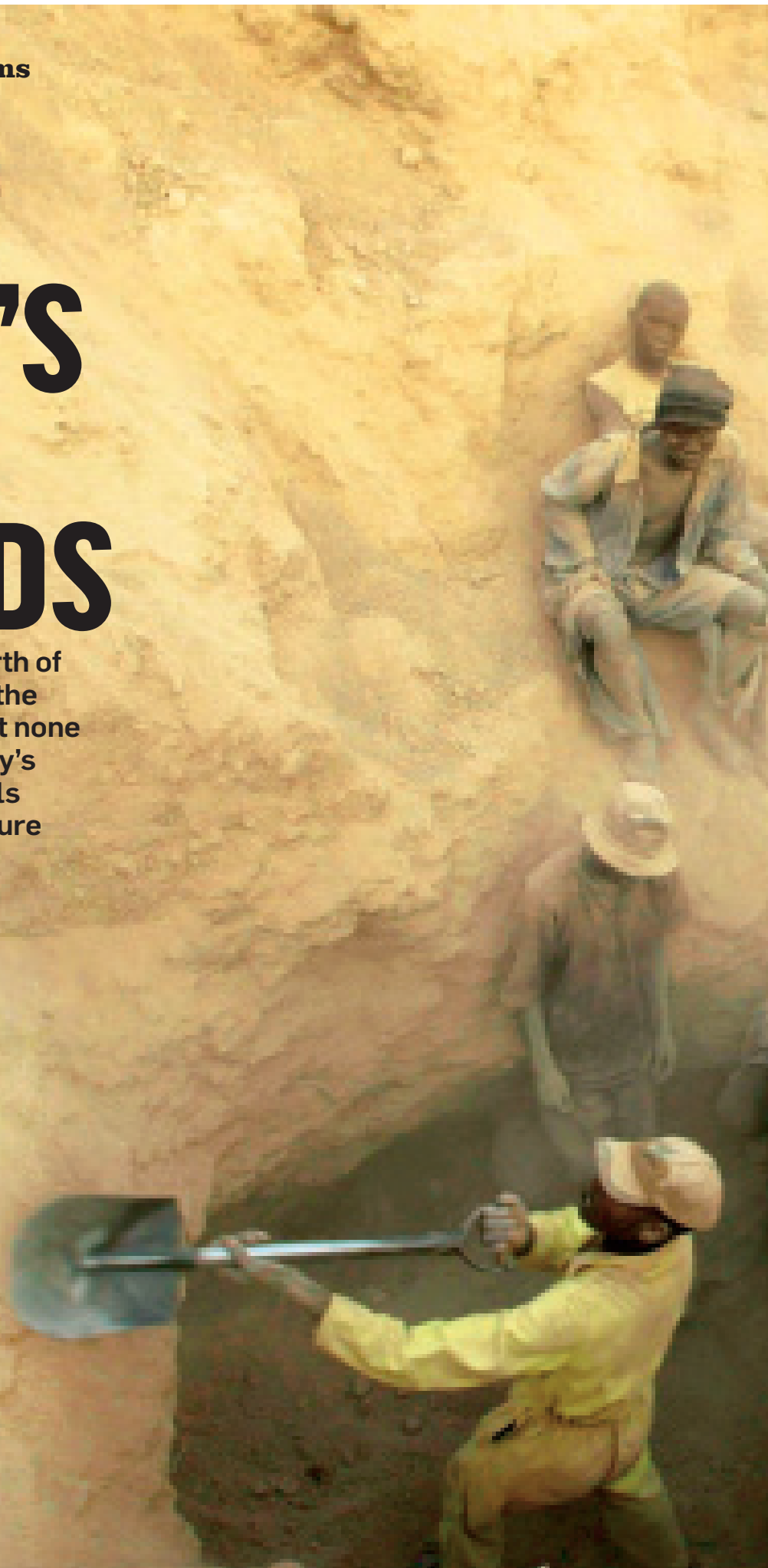
Every day millions of dollars' worth of diamonds leave Zimbabwe from the world's richest diamond field. But none of that money reaches the country's desperate poor. Jon Swain reveals the men plundering a nation's future

**O**ne night in February, eight men armed with AK-47 assault rifles raided the Zimbabwe headquarters of a British-based diamond company. Overpowering its four guards, they stole computers, files and a pick-up truck which they dumped in a nearby hotel car park, its keys still in the ignition. Then they vanished into the night as swiftly as they had come.

It was a raid carried out by hard men who knew their business and wanted this to look like an ordinary robbery. They were not regular thieves, however, but agents of the shadowy Central Intelligence Organisation (CIO), and this was the latest development in a David and Goliath struggle that pits one man against a cabal of corrupt figures at the summit of the Zimbabwean state.

The outcome of the battle has international ramifications. At stake is the unimaginable wealth to be had from the world's oldest and, it is said, richest diamond field, with the potential to bring in a billion dollars a year. "Whoever owns the diamond field controls Zimbabwe and could buy any country in Africa," one western diplomat says.

Andrew Cranswick is the "David" whose offices were raided. His company's premises, a mod- ➤➤➤➤➤





**Marange being mined by hand in 2006. Now that Mugabe's inner circle have seized the field, state-of-the-art machinery extracts thousands of carats of diamonds an hour**

ern two-storey building enclosed by a high wall in an avenue close to the central police headquarters and State House in Harare, was staged by the CIO to intimidate and discourage him from continuing his fight to operate the diamond field. In 2006 Cranswick's company, African Consolidated Resources (ACR), set up by both white and black Zimbabweans, was looking for new mining opportunities in Zimbabwe. It pegged a claim to an abandoned, unexploited field, bought for a nominal sum on the chance of finding diamonds there. Problems arose when diamonds *were* found.

The field is in southern Marange, a dry, barren, sparsely populated district in the hills southeast of Harare, close to the Mozambique border. To his surprise and delight, Cranswick discovered that the diamonds making up the bulk of the find were not, as might have been expected, low-grade industrial diamonds. Among them was a large proportion of valuable gem diamonds. But his euphoria was short-lived. Zimbabwe's Mines and Minerals Act demands that those discovering val-



## CRANSWICK FOUND PRECIOUS DIAMONDS SCATTERED ALL OVER. TO THE UNTRAINED EYE THEY LOOKED LIKE PEBBLES. CHILDREN WERE USING THEM IN THEIR CATAPULTS TO SHOOT BIRDS

uable gem diamonds must declare the fact and give the GPS position to the government. Within hours, CIO agents seized the diamonds, worth US\$6m, and Cranswick has not seen them since.

A white African adventurer — bronzed, rugged, totally at ease in the bush — Cranswick, 47, does not scare easily. He was born in Zimbabwe and grew up on a farm in the middle of nowhere during the Rhodesian war which saw the end of white minority rule and led to President Robert Mugabe's rise to power in 1980. As a teenager he slept with a Sten gun under his bed.

**A**lthough the Zimbabwe High Court ruled in September that ARC clearly owns the Marange field, Cranswick, the CEO, has a colossal fight on his hands to get it back from the government. In February the Supreme Court ordered all mining to cease pending a final ruling on ownership. Its judgment has been ignored. Meanwhile, millions of dollars from the diamonds are being siphoned off by President Mugabe, his diamond-loving wife, Grace, and their greedy inner circle to enrich and entrench themselves in power a few years longer. Mugabe's circle have failed to give any of the profits from Cranswick's diamond field to their own impoverished state.

Since early 2009, Zimbabwe has had a unity government. But real power lies with Mugabe and the security chiefs in control of the armed forces, police and intelligence services. The government is powerless to stop this inner circle. A parliamentary committee looking into operations in Marange was snubbed for months. "The government has not received a cent from the biggest find of alluvial diamonds in the history of mankind," Tendai Biti, the finance minister, has complained.

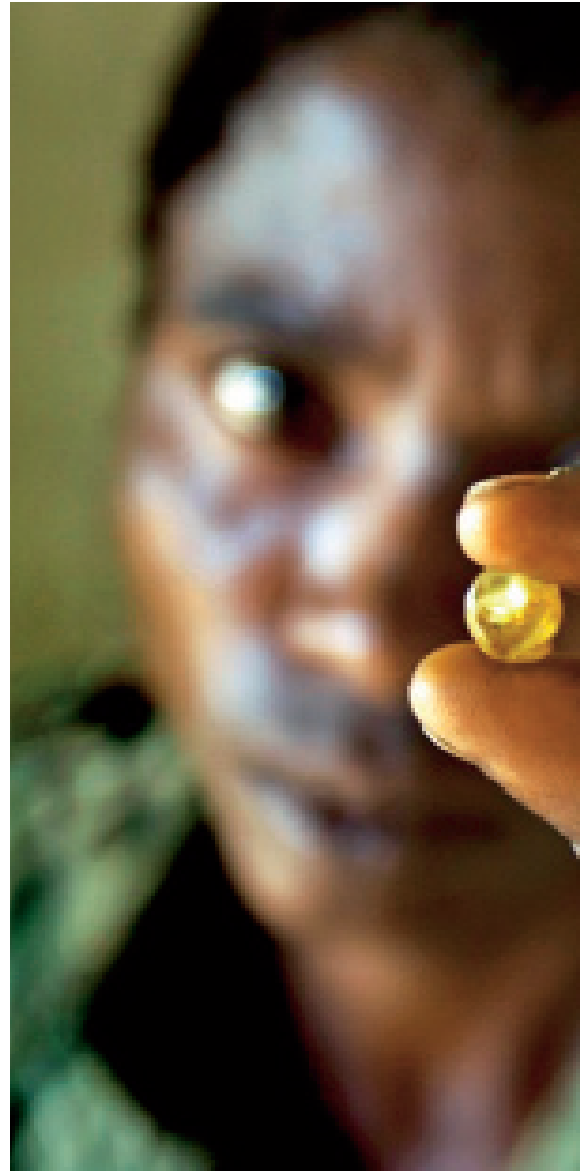
Cranswick's battle for justice is risky. In March,

the CIO raided his house and offices. He has received death threats. Last year, a gang of Israeli diamond smugglers put out a contract on him to make sure he did not get in the way of their supply of diamonds smuggled out of Marange. Now, impeccable sources told me that beside his name in secret government files is written the word "Bull-Bar" — CIO code for a person designated to meet with a "road accident". Cranswick has made light of it, but this is no joke. A surprising number of Mugabe's opponents have died in strange road crashes in the past 30 years. Cranswick is on guard not to become another victim. But he also says he is not going to lose sleep over it. Risk is part and parcel of living and working in Zimbabwe. It goes with a certain freedom he likes, which he knows he could not have elsewhere.

What extra precautions will he take? "Check my car regularly and drive faster," he said. His colleagues raised their eyes to the ceiling. He already has a legendary appetite for speed.

"Andrew is the classic entrepreneur personality," said one. "He's very bright. His brain is very agile and he's also a bullish, couldn't-give-a-shit, don't-stand-in-my-way type of person. Andrew is liked in the City [of London] because he's an Indiana Jones character. He knows how to drive through obstacles that crop up in Africa, increasing shareholder value, and they admire him."

After training in geology, Cranswick worked for Anglo American in South Africa, then settled in Mugabe's independent Zimbabwe, got married and had two daughters. Exploiting Zimbabwe's emerging-market status and the tech boom, he founded a group of IT companies, including the country's first commercial internet service provider, which he sold for a couple of million dollars in 2000 at the height of the dotcom boom. He



took his family to Perth and bought and ran the biggest cattle ranch in Australia. But the lure of Zimbabwe was too strong. Soon he was back home, involving himself in ACR, the mineral exploration company he founded in 2003. He has based it in Britain and listed it on the London Stock Exchange to attract foreign investment.

Mutual friends in Zimbabwe had told me Cranswick had a fascinating story to tell, and they were right. It was in a Kings Road coffee shop at the end of 2009 that I first heard his unlikely tale of coming upon the world's richest diamond field in an empty corner of Africa. Telling me how he had discovered the diamonds and how destabilis-

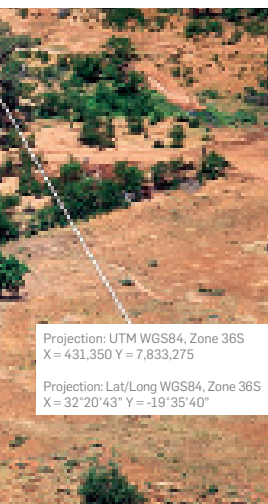


Above: President Robert Mugabe and Grace, his diamond-loving wife

Far left: the man who was robbed, Andrew Cranswick of ACR

Left: a panner trying to sell a diamond behind the military's back

Below: Marange is now an army base with a huge military airfield



ing for Zimbabwe the discovery could be, he invited me to come and see for myself. In the event, it was not possible to get into Marange, as security forces blocked our way. But I soon saw how easy it was to buy diamonds smuggled out of the mine.

In January, within minutes of checking into a hotel at Manica, a seedy town a few miles over the border inside Mozambique crammed with black-market gem dealers, I was offered a clear 11.66-carat diamond for \$29,000 by one of scores of Lebanese diamond dealers operating there. The man said smugglers brought diamonds across the border daily hidden in their mouths. Nobody cared that they were illegally mined.

Cranswick had not initially expected much to come of his claim at Marange: the mining giant De Beers had pulled out of Zimbabwe, letting its claim on the field lapse — surely it would not have turned its back on something big. But once he did a bit of work with his geologists, Cranswick found precious diamonds scattered all over the stony ground. To the untrained eye they looked like pebbles. They were so common that children were using them in their catapults to shoot birds.

Zimbabwe was in the middle of an economic and humanitarian nightmare. Once the breadbasket of southern Africa, under Mugabe it had descended into joblessness and hunger. Astrono-

mical inflation had destroyed its currency. Corrupt politics had ruined it. As he drove to Marange in 2006, past vast tracts of fertile farmland lying fallow as a result of Mugabe's disastrous land reforms, Cranswick could not help thinking how the wealth from the diamonds could be used to turn the country around. Zimbabwe was the country of his birth; he wanted it to succeed and he wanted to be part of the success.

Within hours of Cranswick reporting his find, the telephone rang in his Harare offices. It was someone from the CIO — whose chief, Happyton Bonyongwe, owns a big farm near Marange taken from a white family — demanding the surrender of the diamonds. They wrote a receipt, but Cranswick has not set eyes on the gems since, despite a Supreme Court order for them to be returned. Worse was to come: the government cancelled ACR's title and banned it from the site, much as it had evicted white farmers from their farms.

This was the moment Cranswick realised his discovery had opened a Pandora's box. He recounted the chaos that some of the most senior figures in the regime then unleashed on Marange. Having evicted ACR, the government at first encouraged a diamond rush open to anyone to boost its flagging popularity: 35,000 people flocked to Marange from all over Zimbabwe and, as word spread, from as far afield as West Africa, India, Pakistan and China to mine or buy diamonds. Mining was primitive, involving digging by ➤➤➤ 49

hand in mud, sand and gravel, then panning with hand-held sieves. Chaos and violence ensued as miners trampled over each other in the rush.

Millions of dollars' worth of diamonds were smuggled out via Mozambique and South Africa, then shipped to Europe, India and the Middle East for cutting and polishing. It was an uncontrollable free-for-all. Police operations to quell the smuggling targeted only the small players, leaving alone the powerfully connected smugglers and buyers, who operated with impunity.

These so-called diamond barons were working for the personal accounts of a select wealthy few, the sharks at the top of the military and security services — people such as General Constantine Chiwenga, the ambitious, thuggish army chief; Emmerson Mnangagwa, the wealthy defence minister; Solomon Mujuru, a retired army general who commanded Mugabe's guerrilla forces during the war against white rule in the then Rhodesia, and his wife, Joice, Mugabe's vice-president; Gideon Gono, governor of the central bank; and Augustine Chihuri, the powerful police chief. And, of course, the Mugabes themselves.

One example: in August 2008, a diamond dealer was caught by an over-zealous policeman at a road block outside Marange with 262 diamonds valued at \$1.3m in his vehicle's air cleaner. It was no surprise when he walked out of court a free man after being cleared of any wrongdoing and with the magistrate criticising the police for doing a shoddy job; he was operating for Mujuru.

In October 2008, diamond fever hit such a peak that a joint operation of the army, police and intelligence officers was launched to take over the field. Its real aim was to give the syndicates operated by the sharks free rein. By this time the province of Manicaland in which Marange is located was in new hands. Mugabe had appointed as governor Christopher Mushowe, his former butler and a relative of his wife. Mushowe is part of the ring profiting from the diamonds.

Dubbed Operation Hakudzokwi Kamunda (You Won't Come Back), the crackdown began on October 27 with military helicopters indiscriminately firing automatic weapons to drive out the diggers. On the ground, hundreds of soldiers opened fire without warning. In the panic miners were trapped and died in the tunnels they had dug. In three weeks, more than 200 perished.

**T**he police caught a girl who had been selling cigarettes to the panners. Wanting to make an example of people who were helping out, they put her in a circle and set their dogs on her. She was torn to pieces in front of her parents, who were left to bury her remains. Some had their stomachs slashed open by soldiers looking for stones. One man said he knew of 14 panners who were shot dead in one morning. Survivors were forced to bury the dead in mass graves.

The killings caused international outrage. Zimbabwe was accused of trading in "blood diamonds", which fuel conflict, and a campaign took root to ban its diamonds from world markets. There were calls for Zimbabwe's suspension from



**A man bayoneted for flouting the rules of a military-controlled diamond syndicate**

the Kimberley Process certification scheme (KP) — a mechanism set up with UN backing to prohibit the sale of blood diamonds. Angelina Jolie and Brad Pitt called for a ban on any purchase or sale of Marange diamonds.

Any hope that referring Zimbabwe to the KP would bring about proper, legal and secure management of the mine has proved unfounded, however. "The Kimberley Process is well-meaning but toothless. It is easily bypassed if good stones are on offer, and it can't be relied on to bring the field into proper management," Cranswick said. "First of all it has to make sure there is no smug-

## STONES WORTH \$3M-\$7M ARE BEING SMUGGLED OUT EVERY DAY. SOME ARE SMUGGLED OUT IN THE DIPLOMATIC BAG FROM THE CHINESE EMBASSY IN HARARE

gling, and to do that it needs at least 20 or 30 monitors driving and flying around on a regular basis until the field is secured by a fence, which it is not. It should be checking to see whether any diamonds are being smuggled into Mozambique. The British perhaps could bring pressure. Mozambique is a member of the Commonwealth now. Kimberley should be monitoring the actual machinery at the mine and counting every single gem that comes out of that machine at source before it has been fiddled with, so that it can be accounted for."

Returning to his own struggle, Cranswick notes that nothing in Zimbabwe is ever black and white. He avoids getting involved in local politics, wanting to retain the links he needs with members of Mugabe's regime in order to operate in the country. But he has kept going with his own legal battle. Last September, he scented victory when he won a High Court judgment declaring that the

mineral rights of the diamond fields belonged to ACR and ordering the state to return the ground and the seized diamonds.

Secret government documents obtained by The Sunday Times show that quite the reverse happened. Cranswick's long-drawn-out legal process had given Mugabe's lieutenants and their foreign backers — Chinese, Israelis, South Africans — time to entrench their systems for keeping control of the fabulously rich field. The old operation in which an ad hoc set of diggers plundered the diamonds on their behalf amid general lawlessness has expanded into a new, sophisticated money-making machine largely hidden from the eyes of the world.

The documents set out the measures that are being taken. The Chinese army is helping to construct a military airstrip on ACR's field with a one-mile-long runway capable of taking the biggest military transport planes. Armed Chinese soldiers are on the site. There are shipping containers filled with weapons. This move follows arms-purchasing visits by Chiwenga to China last year. A tented army camp has been set up under a retired brigadier, and millions have been invested in state-of-the-art mining machinery capable of extracting thousands of carats of diamonds an hour. A sophisticated operation is also in train to get the most valuable stones out of the country. Stones worth \$3m-\$7m are smuggled out every day. The Chinese embassy in Harare is involved in smuggling some out in the diplomatic bag, according to Zimbabwe intelligence leaks, and one of the key figures is a Chinese man with links to Grace Mugabe — all in defiance of the Supreme Court's order to halt all mining at Marange.

The figure at the centre of the operation comes as little surprise to those who know him: the minister of mines, Obert Mpofu. His name is on an EU

and US sanctions list of undesirable Zimbabweans, and he loathes Cranswick, blaming him for stirring up an embarrassing legal storm. "That man will never mine in this country as long as I am minister. Cranswick has caused all this chaos. His company is listed in Britain, yet he holds Zimbabwe to ransom," Mpofu says.

In July 2009, with top-level backing, Mpofu entered into joint ventures with two questionable partners to exploit the field. It did not matter that neither was an established professional mining company like ACR, nor that at the time legal title to the mine was hotly disputed. "No background checks and due diligences were allowed, as this was blocked by Honourable Mpofu," said a secret report I was shown. The paper also revealed that he had "paid dividends to many officials to shut their mouths"; one deputy minister was paid \$10m. The first partner Mpofu found was the New

Reclamation Group (Reclam), operating through a subsidiary, Mbada Diamond Mining. South Africa's biggest scrap-metal company, Reclam has been prosecuted in South Africa for illegal price-fixing. Its executive chairman, David Kassel, and Mpfu knew each other from a fraudulent steel deal in Zimbabwe.

Mbada is chaired by Robert Mhlanga, a former Zimbabwe air vice-marshal. He is Mpfu's cousin, was also involved in the steel deal, and insiders say he is acting as a front for the Mugabes. He has a close relationship with the 86-year-old president going back to when he was the country's first black helicopter pilot.

Mhlanga has made a fortune in Africa. He was in the diamond trade in Congo in the late 1990s, when Zimbabwean troops fought in the war there. He was also a key witness in an attempt in 2003 to frame the now prime minister Morgan Tsvangirai, a fierce political opponent of Mugabe and now his reluctant coalition partner, for treason. Operating from expensive offices in Johannesburg, Mhlanga has such strong links to Mugabe that he flies his helicopter in and out of Zimbabwe at will without passing the usual immigration and customs controls. He parks his helicopter at the mine. He has diplomatic status and direct access to Mugabe.

The second company Mpfu signed up to mine at Marange is Canadile Miners of South Africa, which is believed to be smuggling out \$1m-\$2m of diamonds every day. "Reclam have to pretend,

because of their shareholders, that they are squeaky clean and complying with the Kimberley Process," says Cranswick, "but Canadile are not interested. They are mostly smugglers and crooks who want their diamonds and money, full stop."

The registered director of Canadile is a retired Zimbabwean major, Lovemore Kurotwi. Inside sources said he was primarily working for a military syndicate that "goes all the way to Chiwenga", the army chief. He is the nephew of the late army chief General Vitalis Zvinavashwe, a member of the Zanu-PF politburo named by the UN as one of the main figures to profit from the plunder of Congo's diamond riches. He is also linked to Mnangagwa, the defence minister.

The riches Mhlanga made in Congo are nothing compared with those being made at Marange. I was told that his company, Mbada, is smuggling out gems worth \$2m-\$5m every day. "Diamonds are airlifted to South Africa at unscheduled times weekly," said a secret government intelligence report of goings-on at Marange. "Air Vice Marshal R Mhlanga airlifts the diamonds to South Africa."

The report also sensationally revealed that Marange diamonds were sometimes airlifted from Charles Prince Airport in Harare disguised as demining equipment. "The mind boggles why they need a military-style airstrip on our concession," said Cranswick. "It must be for dubious purposes. After all, the world's entire production of diamonds in a single day can be carried in one helicopter."

Mpfu has finally admitted to the parliamentary committee investigating Marange that he was aware some of the directors of the two companies mining there were involved in shady deals. "He said he had done his research and this was the trend worldwide. The committee was fooling itself by thinking it could get a clean diamond investor," said a source who attended the briefing by the minister, which was held in camera.

Cranswick claims he has repeatedly tried to negotiate a joint venture with the government to extract and market the diamonds from Marange, but to no avail. He has proposed a deal in which ACR would retain 49%, 2% or 3% would be for the benefit of the local community, and the balance would be held by whoever the government approves. "What is at stake is not just big profits but the future of Zimbabwe. If the bad guys keep it, then it is the end of the country. Now 100% of the gems are going out of the country. They are selling none of them here in Zimbabwe."

Zimbabwe is not Sierra Leone, where diamonds brought war, warlords and terrible atrocities. But unless it can be stopped the great theft of diamonds from Marange heralds a darkening future for Zimbabwe, with billions of dollars lost to the nation's coffers and potential funding for a future military coup in place ■



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