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# The EU needs to dissuade Russia that diamonds are forever



The hardest material in nature shows great resilience in politics. In The EU did not ban the import of diamonds from Russia in its tenth round of sanctions, thus leaving it vulnerable to criticism that it is being inconsistent in its restrictions towards the Moscow government.

Last Friday, on the first anniversary of Russia's attack on Ukraine, Brussels added sanctions against Moscow, further reducing imports and exports from Russia, and extended the list of people close to the government subject to business restrictions.

The new package sanctioned exports from the EU to Russia amounting to 11.4 billion euros, and imports from Russia of 1.3 billion euros.

These restrictions mean that the EU has reduced almost half of its pre-war exports to Russia and almost 60% of its imports from Russia.

However, the import of diamonds from Russia is still free. Diamonds have evaded the tenth European package of sanctions, even though a ban has been under discussion since the start of the Russian invasion.

Until there is a new decision on sanctions, Russian diamonds will continue to cast a shadow over European governments and their determination to influence the Kremlin's ability to wage a war of conquest in Ukraine.

## EU's ethical and financial problems

This is not easy to justify, given the numbers and money. The EU can hardly maintain the ethical dimension of its sanctions against Russia as long as diamonds are not placed on its import ban lists.

It is difficult to explain why the trade of Russia's most luxurious goods are not subject to the large list of restrictions. European hesitancy is measurable, and as such, more important for decision-making.

The main resistance to European sanctions on Russian diamonds comes from Belgium. 85% of diamonds from around the world pass through the port of Antwerp. They are cut, polished and sold there.

The Antwerp World Diamond Centre has estimated that 10,000 jobs would be at risk if the import of Russian diamonds were subject to sanctions. This estimate is based on the fact that the Russian state diamond giant Alrosa generates more than a third of its income (36%) from sales in Belgium.

## Are Russian diamonds blood diamonds?

When discussing sanctions against the Russian diamond industry, we are actually talking about one company - Alrosa - which produces almost every (95%) diamond in Russia. It controls almost one third of the global production of rough diamonds, with a market worth of about 80 billion dollars a year.

It is one of the largest global players in the very specific diamond market, so the Belgian concern for thousands of jobs in Antwerp is the most visible reason why this business is still not under European sanctions. But it is not the only factor.

Belgian Prime Minister Alexander De Croo, who has faced criticism not only from Europe, but also from his own coalition government, recently told Politico quite convincingly that "Russian diamonds are blood diamonds".

By stating this, he was clearly referring to the inadmissibility of the diamond trade, the profits of which contributes to the financing of the war.

The Kimberley Process is an international initiative, consisting of government representatives, businesses and the humanitarian non-governmental sector committed to removing blood diamonds from the market. However, there is no consensus that Russian diamonds are blood diamonds.

At the Kimberley Process summit in Botswana last November, Russia and Belarus blocked any such a decision, abusing the consensus decision-making system.

## The EU seeks cooperation in the G7

For international and internal reasons, Belgium has been advocating a considerably wider model of a blockade regarding the diamond trade than the current EU one.

“The revenue for Russia from diamonds can only stop if the access of Russian diamonds to Western markets is no longer possible. On forging that solid front, Belgium is working with its partners”, said the Belgian Prime Minister.

Brussels has announced that sanctions on Russian diamonds will be negotiated with G7 partners, which is similar to the previously introduced oil price cap for the export of Russian oil.

This stems from the assessment that a European embargo on the import of Russian diamonds would not particularly affect Russian budget revenues, which amount to a significant 4.5 billion euros per year from these exports.

A possible European embargo would certainly divert Russian exports to some other markets, for example India or Dubai, from where processed and cut diamonds would return to Western markets, but would be more expensive.

Europe's reluctance to impose sanctions on Russian diamonds prolongs the wait for a comprehensive solution, and at the same time keeps open a channel to finance the Russian war budget.

In April last year, the United States imposed sanctions on the import of diamonds, believing that the Alrosa Company was helping Putin to finance the invasion of Ukraine.

That decision did not stop filling the Russian war budget with billions from the diamond trade, but it made an important step towards achieving that goal. That is why European reluctance seems like an excuse, rather than a thought-out policy.

Since Europe and the US are the markets for 70% of natural diamonds, their joint decision to sanction exports of Russian blood diamonds could bring this business to a complete halt.

Their trade would become toxic for anyone involved and would be exposed to secondary sanctions.

It is the responsibility of the EU to counter the abundant financing of Russia's invasion of Ukraine through the sale of diamonds. This could be achieved either through an agreement within the G7, or a new package of sanctions against Russia.