

## Conflict diamond accusations persist for US industry

### In Brief

#### Cote d'Ivoire Assembly approves budget

The Cote d'Ivoire National Assembly passed the proposed Government budget for 2004 on Thursday. The budget is financially balanced, and projects expenditure of US\$3.7 billion, 37% higher than 2003.

#### Burundi coffee finance set for 2004/5

Nine banks have been granted the financing rights for Burundian coffee production in the next year, according to information from one of the participants. Loans to coffee exporters are a significant source of revenue for banks in the war-struck nation.

#### Illegal workers sentenced in Kenya

Twenty Indian nationals convicted of working illegally in Kenya were given two month imprisonment or a fine of US\$130 each at a Mombasa magistrates court on Thursday. The NARC Government has actively pursued illegal workers since coming to power in 2002.

#### Major computer firm outsources - to US

The Indian computer software company Infosys has announced plans to invest US\$20 million in a new consultancy in the US. Five hundred new jobs will be created over three years. Political pressure has increased in the US in this election year to restrict outsourced job losses.

A new report by the London-based campaign group Global Witness claims that the US diamond industry pays little attention to its own rules on purchasing diamonds from areas of conflict. "Broken Vows", published on March 30, will make unwanted reading for an industry whose image has suffered from allegations that its purchases have fuelled violence and assisted terrorist activities.

The authors of the report surveyed thirty major US retailers, through meetings, letters, phone calls, and public announcements. The survey

included major international companies like Bulgari and Cartier. They found little knowledge of supposed industry standards relating to conflict diamonds, and unwillingness to discuss the issues involved. Some companies escaped criticism, and Tiffany & Co was praised for its efforts to ensure that it complied with the Kimberley Process, which sets standards for avoiding conflict diamonds.

The report was released at the World Diamond Council Annual Meeting in Dubai. The Council shortly afterwards issued a press statement saying that it "completely and utterly rejects the

representation of industry as unable to offer proper assurance to consumers". However, it also acknowledged that more work is required to ensure industry awareness and to reduce vulnerability to abuse.

### Intel commits further to China

Intel, the world's largest computer chip manufacturer, will invest US\$39 million dollars in a new research and development facility in a free trade zone in Shanghai, Chinese state media announced on Thursday. Intel also announced an agreement with Neusoft, the Chinese software manufacturer, to establish other research facilities in Beijing and Shenyang.

Intel has invested heavily in China, including a reported \$500 million in a chip factory in Shanghai. Its commitment continued even after the worldwide decline of the high-technology sector in 2000, and in the face of calls from sections of American public opinion for protection of domestic jobs.

The contracts were agreed during Intel CEO Craig Barrett's visit to China. In a speech to local leaders, he called for investment in IT education and infrastructure as a means of promoting economic growth. It has been a common theme throughout his Far Eastern tour, which has included Malaysia and Taiwan.

### French West African cinema sets up base

The West African Union of Cinema and Audiovisual Creators and Entrepreneurs, UCECAO, met on Thursday to establish their first national office in the Senegalese capital Dakar. The Union hopes the office will allow them to develop cinema production facilities and human talent in West Africa, and lobby for favourable tax treatment by national authorities.

As in the former colonial power France, French West African cinema has a long and successful history. Its films are exported around the world, and are shown at cultural festivals both internationally and locally. The regional festival FESPACO was held in Burkina Faso in 2003, where the Mauritanian film Heremakono won the prized best picture award.

### Absa sells stake to black consortium

Absa, one of South Africa's largest banks, has sold 10% of its shares to a three-person consortium led by Tokyo Sexwale, the black South African businessperson. The deal was announced on Monday and still has to be agreed by Absa shareholders. It means Absa satisfies the requirements for black shareownership outlined in the Government's Financial Sector Charter.

The Charter calls for 10% of shares in companies to be held directly by black people, and 25% to be held either directly or indirectly by them, for example through pension funds. The deal creates 73.2 million new redeemable preference shares at a value of US\$0.32 each. The Sexwale group purchases these shares, which have the same voting rights as standard equities but convert back to cash at a later date. There is also an option to buy the standard equities after three years.

Analysts have expressed a range of opinions on the economic benefits of black empowerment initiatives, but the market reacted positively to the details of the Absa deal. Absa shares were stable at close to their annual high in trading this week, following Monday's announcement.

### Ethanol futures and options market

The New York Board of Trade is to set up an exchange for the trading of ethanol options and futures. The exchange will start trading futures contracts on May 7, and options contracts on May 10. The NYBOT said that it sees remarkable opportunities for the market in ethanol, which can be used as a clean fuel source.



A fuel, apparently.  
freefoto.com

The futures contract will be based on a contract size of 7,750 US gallons, delivered to a port in the country of origin, or at the customary port for landlocked countries. The countries of origin are exclusively in the Americas at present.

Ethanol is used as a fuel, as a chemical solvent, and in alcoholic drinks. It can be derived from a variety of sources, but at present the main one is sugar. The world's largest producer of sugar is Brazil, with over 50% of the current market. Other producers include India and China.

## Rwanda entry to EAC given Kenyan support

Kenyan president Mwai Kibaki has confirmed that Rwanda's entry to the East African Community had been accepted in principle, Kenyan state media has reported. Speaking to Kenyan expatriates in the Rwandan capital Kigali on Thursday, he said that Kenya had already taken steps to prepare their entry, by waiving visa fees from Rwandans visiting Kenya.

He added that he did not want to drag Rwanda into the negotiations establishing the East African Community. The discussions have already resulted in very public debates on tariff levels among politicians and business leaders in Kenya, Tanzania, and Uganda. Mr Kibaki will wish to see a final agreement signed before the planned date of establishment of the EAC later in the year, and inclusion of another negotiating

## Nairobi SE continues slide, Uganda follows

Equities fell again this week on the Nairobi Stock Exchange, although the falls were not as severe as in the previous week. No sectors of the economy escaped. All four agricultural stocks quoted declined, industrials were affected badly, and financial shares were inevitably dragged down too. Well-known brands like British American Tobacco and Nation Media Group were not spared, down 10.5% and 18.6% respectively.

The market has now fallen for over a month. Whilst the early declines may have corrected excessive price increases since the start of the year, the persistence of the

downturn suggests that the decline is due to price pessimism among traders. The Ugandan Stock Exchange also declined heavily this week, down 7.6%. The USE has shared quotations with Nairobi for several of its main companies: East African Breweries, Kenya Airways, and British American Tobacco. It will hope that negative sentiment in Nairobi does not spread throughout the region.

partner could jeopardise this aim.

## Kuala Lumpur SE claims Shariah compliance

In a keynote address to a Malaysian seminar on Islamic Financial Services, the head of the Kuala Lumpur Stock Exchange claimed that over half of Malaysian domestic bonds and equities are compatible with Islamic Shariah law. Dr Zaha Rina used her speech to emphasise the growth in demand for Shariah compatible investments, which she stated was 12% to 15% a year. She also presented the Exchange as well-placed to share in the growth.

to avoid any interest payments.

The current period of growth of demand for Shariah compliant investments dates from the 1970s, when Middle Eastern countries had large capital surpluses following OPEC petroleum price increases. It is unlikely that the Kuala Lumpur Exchange will ever be entirely compliant, as previous attempts at large-scale financial conversion have encountered practical and political difficulties.

Shariah law prohibits investments in certain businesses, like breweries. It differs from conventional ethical investment principles by its strict condemnation of interest payments. Shariah compatible financial instruments are often functionally similar to standard investments, but carefully designed

## Market Watch

(Week ending 9/4/2004)

Equity market leading indices and (increase in week)

Casablanca MASI	4,504 (0.0%)
Bombay SENSEX	5,838 (0.9%)
Cairo CASE 30	1,437 (2.6%)
Mauritius SEMDEX	615 (0.9%)
Uganda All Share	357 (-7.6%)
Lahore LSE-25	2,988 (3.6%)
Indian National NIFTY	1,854 (0.7%)

Selected currencies value to US\$1 and (strengthening in week)

Ethiopia Birr	8.9 (-0.5%)
Gambia Dalasi	29.4 (0.0%)
Ghana Cedi	8,850 (0.0%)
India Rupee	43.6 (-0.5%)
Indonesia Rupiah	8,603 (-0.2%)
Kenya Shilling	77.9 (-0.2%)
Malawi Kwacha	110.2 (-1.3%)
Nigeria Naira	136.4 (0.6%)
Pakistan Rupee	59.4 (0.1%)
Tanzania Shilling	1,135 (-0.2%)

## Agreement extended for providing reduced cost HIV/AIDS drugs

Ten medical companies have agreed with the Clinton Foundation to provide HIV/AIDS treatment and diagnosis tests at deep discounts to their market rates, it was announced on Tuesday. The companies are from both developed and developing countries, and include some of the largest manufacturers in the world. The deal extends a limited agreement signed last year which provided the drugs to sixteen countries in the Caribbean and Africa.

The companies are: Aspen Pharmcare Holdings; Bayer Diagnostics; Beckman Coulter, Inc.; Becton Dickinson and Company; bioMérieux; Cipla; Hetero Drugs Limited; Matrix Laboratories; Ranbaxy Laboratories; and Roche Diagnostics.

The agreement carries condition on the end use of the medicines. Recipient countries must already receive loans from either the World Bank or the Global Fund, who together with UNICEF supported the deal. Recipients must provide guarantees of payment and hold long term tenders. The security of drug distribution must also be guaranteed, which has been of concern to manufacturers in the past. Antiretroviral medicines have been sold back into their domestic market at a profit, and could undercut their undiscounted prices.

## Comment: Crystal clear

The diamond industry received its usual bad press with the publication by Global Witness of a survey of US retailers. The retailers showed little awareness about diamonds sourced from conflict areas, or even their own industry standards on the issue. The attacks on the US on 9/11 provided a stimulus for action, as it became apparent al-Qaeda had raised money through sales of Sierra Leonean diamonds. But the commitment will diminish over time. In Africa violence linked to diamond production has been more enduring, but US retailers do not have to worry about it for a successful sale to an upmarket American clientele.

After 9/11, T-shirts, postcards, and memorabilia appeared all over West Africa with pictures of Osama bin Laden on them. Their owners would often not be at all religious, but didn't know much about the US, and cared less. The mutual indifference or ignorance between the regions of production and sales of diamonds is the gap in which al-Qaeda operated.

At various stages in its operations, it dealt with Israeli, New York, and Belgian dealers. The same diamonds were helping rebels to amputate hands in Sierra Leone, and al-Qaeda to fly planes into the twin towers.



**Dirty work...** Diamond mining has been linked to funding of conflicts. freefoto.com

It may be unrealistic to hope for Africa and America to look after each others' interests. But looking out for their own should be possible, whether in New York or Sierra Leone.