

'The Rock Star that Got Stage Fright at Auction': The Political Economy of Marketing the Historic Lesedi La Rona Diamond

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One hundred years' worth of history is not something you can change with a single auction

—Lukas Lundin

Abstract

In 1905 the largest diamond in history measuring 3,106-carat was discovered at Premier Mine near Pretoria in South Africa, and was presented to King Edward VII of Great Britain for his 66th birthday on 9 November 1907. After 110 years the second largest diamond in history was discovered by the Canadian company Lucara at its Karowe Mine in Botswana in November 2015, and the gemstone became 'Botswana's pride'. The 1,109-carat diamond, which came to be called 'Lesedi La Rona', brought great excitement globally as the news of its discovery allegedly received more than one billion hits in the Internet in just two weeks. The diamond went on a global road show with promotional stops in Singapore, Hong Kong, Dubai, Geneva, New York, and London. This massive publicity was expected to make the stone the most expensive gem ever sold. The sale of the rough diamond in an open auction in London was also hoped to significantly ramp up the global diamond market which had slumped badly at the time. However, this paper observes that the anticipated hefty price for the historic gem and its attempted sale at an open auction as opposed to traditional secretive operation rendered the stone problematic to the diamond industry in general and to Lucara in particular. Alleged sabotage by diamantaires and uncertainty of Brexit were some of the factors advanced for the failure of the 'rock star' to sell and these are examined in this historical paper.

Introduction

Exploration for diamonds in Botswana started in 1955 by the South African De Beers diamond company with geologist Dr Gavin Lamont recruited from Geological Survey Department of colonial Botswana (Bechuanaland Protectorate) to lead the project. In 1959 three small diamonds were discovered in the Motloutse River in the eastern part of the country by Central African Selection Trust (CAST) company but no further discoveries were made. Furthermore, Lamont's efforts did not yield any results and the De Beers almost abandoned the project in the early 1960s but Lamont himself persevered (Daniels 2004). In 1967, just one year after Botswana's independence from Britain in 1966, Lamont and his team discovered a diamond bearing Kimberlite at Orapa in the Central District. Mining at Orapa started in 1971 and mining in other parts of the country commenced later.

As has been retold many times, diamond mining turned Botswana from being one of the poorest countries in the world at independence into a high-middle-income economy by the turn of the new millennium (Magang 2015). Botswana is the largest diamond producer by value globally. For decades diamonds have been the biggest contributor to Botswana's gross domestic product (GDP) and also became the country's biggest foreign exchange earner. Until recent years Botswana diamonds were mined through Debswana company which is owned by the government of Botswana and De Beers. Again until 2013 the country's diamonds were sold by De Beers through its Central Selling Organisation (CSO) in London. Botswana played no role in the auctioning of her diamonds in London. The transformation of Botswana's economy as a result of diamonds has seen the relationship between the government of Botswana and De

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Beers hailed as a strategic one. However, recent research argues that in order to maximise its profits De Beers manipulated the government to ensure that no beneficiation that could have diversified the country's economy took place in Botswana (Magang 2008 and 2015). Angela Gapa argues that the relationship between the multinational corporate and government was characterized by De Beers calling the shots by making sure that the ruling Botswana Democratic Party, in power since 1966, remained in office for the benefit of De Beers (Gapa 2016). This, she argues, undermined the country's sovereignty as De Beers was able to directly and divisively influence Botswana's presidential succession system and a *de facto* one party state.

However, following tough negotiations between government and De Beers the latter's Diamond Trading Company International (DTCI) relocated its sights and sales operations to Gaborone in 2013. This rare development was dubbed 'the biggest transfer of assets from the developed world to the developing world' (Magang 2015:206). The De Beers diamond sorting operations had been in London for about 80 years (Young 26 June 2013).

The new diamond industry in Botswana involved the ending of the monopoly of mining of stones by Debswana as competitors were granted licenses. The auction of diamonds in Botswana is carried out by a government-owned entity called Okavango Diamond Company. Botswana needed the diamond processing, sorting and marketing to be done in the country for purposes of the elusive beneficiation and employment creation. According to Rob Young of BBC 'the auction is going to be small, but its symbolism is huge' (Young 26 June 2013). He goes on to state that 'De Beers will sell about \$6bn worth of the precious stones annually in Gaborone; that is the equivalent of a third of the size of the economy'. It was said that the long-term plan was for Gaborone to become a diamond hub along the lines of Antwerp in Belgium and Tel Aviv in Israel, and to ensure that the industry continued operating even long after diamond mining has ended in Botswana. Antwerp and Tel Aviv have major diamond industries and centres even though Belgium and Israel do not have diamond mines. The diamond auction process in Gaborone involves buyers called diamantaires who are essentially middlemen coming from all over the world to inspect the stones and then bid in several rounds.

Whereas the relocation of DTCI from London to Gaborone was meant for diamonds to be auctioned in Gaborone, the Lesedi La Rona was auctioned in London by the vastly experienced Sotheby's auctioneers. The reason being that London is a city where business thrives and where real money people and not just diamantaires operate. Lesedi La Rona was the second biggest diamond ever found in world history, and the biggest in the history of diamond mining in Botswana.

The liberalization of diamond mining in Botswana allowed new players to come on board. This is how companies such as Vancouver-based Lucara, which is listed in the Toronto Stock Exchange, started operations in Botswana. Lucara's Karowe Mine is a section of the AK6 Kimberlite pipe which forms part of the Orapa Kimberlite Field that lies on the northern edge of the central Kalahari Karoo Basin (*Botswana Gazette* 26 November 2015). The area where the Karowe Mine is located was owned by De Beers and African Diamonds company until Lucara acquired a 70% stake from the majority stakeholder, De Beers, in late 2009 and the remaining 30% stake from African Diamonds in 2010. Therefore, the confident and daring Lucara became the 100% stakeholder in the AK6 project which started production in 2010 with first stones sold in 2012. Two years later in 2014 the Karowe plant was upgraded to become a 'Large Diamond Recovery Circuit' (*Botswana Gazette* 26 November 2015). 'Of the 52 biggest diamonds discovered in the past three centuries, 10 have come from Lucara in the past three years' (Hart 5 August 2016).

According to Paul Day, chief operating officer at Lucara, the Karowe Mine 'in comparison to the 7 hectare pit at Orapa and the very rich Jwaneng mine was considered too small to mine by De Beers. Small amounts of work were undertaken by Debswana between 1986 and 1998 with no conclusive results' (*Botswana Gazette* 26 November 2015). Day also indicated that their Karowe Mine has yielded many

type 2A gems of over 200-carat since the mine's inception. The upbeat and optimistic Day felt that the extraordinary discoveries at Karowe could stimulate significant demand for diamonds whose market had slumped badly in recent years. The name Karowe, sometimes called *Karoo*, means a stone or precious stone in the Tshwaa Dam dialect of local San (Basawa/Bushman) language in the area (Mobile phone communication with Mr Mothusi Molatlhegi, 25 April 2017). There is a trend whereby diamond mines are 'indigenized' by being given San names such as Damtshaa Mine in Boteti and Ghaghoo Mine in the Central Kalahari Game Reserve (CKGR).

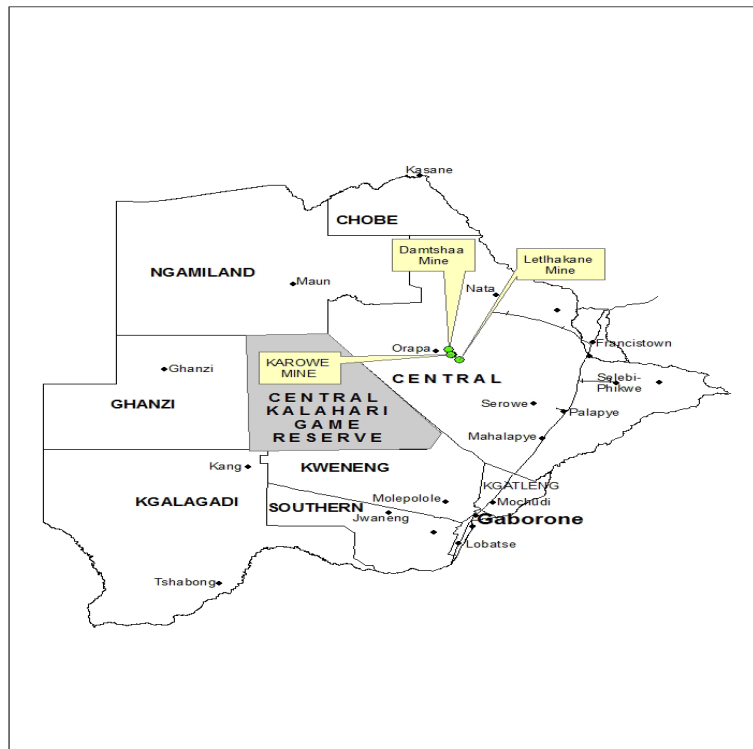
There is scholarship on the political economy of diamond mining in the peaceful and 'developmental' Botswana (Magang 2008; Good 2008; Gulbrandsen 2012; Brook 2013; Taylor and Mokhawa 2003; and Magang 2015) and 'blood diamonds' or 'conflict diamonds' which are mined illegally to fuel civil wars and social strife in some parts of sub-Saharan Africa (Orogon 2004; Dietrich 2001; and Munier 2016). However, there is no appreciable scholarship focusing solely on an individual and specific stone including the Cullinan Diamond that was discovered in 1905 and still holds the record of being the largest diamond in world history.

Despite the liberalisation of mining and increased diamond activity in Botswana there is negligible involvement by Botswana as diamantaires or jewellery makers among other beneficiation activities.

The Discovery and Naming of the World's Second Largest Diamond

In November 2015 Lucara discovered a 1,109-carat diamond at Karowe Mine which is more than 500 kilometres to the north of Gaborone (Map 1). The stone, which measured 6.5 cm by 5.6 cm by 4 cm, was believed to be more than 2.5 billion years old (BBC 29 June 2016). According to jewellery historian and contributing editor for the *Financial Times*, Vivienne Becker 'the spectacular rough crystal provoked much astonishment and exultation as it emerged from the mass of mined material' (Becker 3 May 2016).

Map 1: Karowe Mine and the rest of Botswana



Source: Produced by Modise Sedimo at the University of Botswana (2017)

The discovery of the diamond, which was said to be the size of a tennis ball (Figure 1), led to Lucara's shares shooting up by 30% on the Toronto Stock Exchange by 18 November 2015 (*South China Morning Post* 5 July 2016). So exciting was the news that Lucara's chief executive officer William Lamb said that within two weeks 'it became an instant hit and over 1 billion people across the globe viewed and shared the exceptional find on the internet' and this was 'absolute mayhem' (Channel News Asia 8 April 2016). Needless to say, the stone became 'Botswana's pride'

Figure 1: The 1,109-carat Lesedi La Rona diamond



Source: courtesy of Lucara

Lesedi La Rona became the largest diamond discovered anywhere in the world in 110 years after the 3,106-carat diamond was mined at Premier Mine in 1905 near Pretoria. The mine was owned by Sir Charles Cullinan and the gem was named the Cullinan Diamond after him. It was sold to the Transvaal government which was under British occupation at the time. In 1907 the Transvaal government presented the Cullinan Diamond to King Edward VII of Great Britain on his 66th birthday on 9 November 1907.¹ The stone was cut into nine high quality pieces most of which were used in the British Crown Jewels. One of the pieces was the 530.20-carat known as the 'Great Star of Africa' which 'became the largest top-quality polished diamond in existence and was set into Queen Elizabeth II's sceptre' (Becker 3 May 2016).

The Lucara executives announced at a press conference in Gaborone that the diamond 'was too big for the machines' (*Botswana Gazette* 26 November 2015). They also announced that their Karowe Mine also produced two other 'exceptional' diamonds of 813 and 374 carat during the same 'magical week' in November 2015 and these came to be known as the 'Constellation'. 'This has been an amazing week for Lucara with the discovery of the second largest and also the sixth largest gem quality diamonds ever mined', said the excited Lamb (BBC 19 November 2015). People familiar with the global diamond market were reported to have noted that the second largest diamond ever mined had 'the potential to be one very expensive diamond' (*Botswana Gazette* 26 November 2015). The same source stated that 'Paul Day, said that the diamond will most likely sell at a premium as it carries historical significance, together with its own diamond value, raising hopes of fetching over \$100 million, at a venue and date yet to be set but most

¹ 'The Cullinan Diamond', <http://www.famousdiamonds.tripod.com/cullinandiamonds.html>, accessed 8 April 2017.

likely in the second quarter of 2016, in Gaborone'. The diamond experts were taking cue from the fact that just in April 2015 a 100-carat diamond had fetched \$22.1 million (about P200 million) in New York.

The Lucara find was classified as type 2A diamond which was said to be very rare as only 2% of diamonds had ever made the grade and were usually sold to anonymous collectors. Day was also confident that it would not be long before the world's biggest diamond ever was mined at Karowe to shatter the more than a century record held by the Cullinan Diamond.

The national significance of the Karowe gem was demonstrated in February 2016 when it was taken to President Ian Khama and his cabinet at the Office of the President who had an opportunity to pose for a photograph with the historic gem. This was a fitting development to Botswana as it was preparing to celebrate its 50th anniversary of independence on 30 September 2016 as the anniversary logo in the background of the photograph indicates (Figure 2). The local Lucara executives also had an opportunity for a photograph with President Khama (Figure 3).

Figure 2: President Khama holding Lesedi La Rona in the middle of the seated row



Source: courtesy of Botswana Daily News

As indicated above that the Karowe project previously belonged to De Beers, it can be said that the De Beers' loss became Lucara's gain. Therefore, it was not surprising that 'The retrieval of various exceptional stones at Karowe will, however, be received with little cheer at De Beers as the global mining giant sold the AK6 to Lucara five years ago for a bargain P490 million' (*Botswana Gazette* 26 November 2015). In response to this 'loss' by De Beers one of its officials, Paul Rowley said that 'In hindsight, as with any business, you look back and say maybe we should not have [sold it] but at the time it was a good decision and we do not have regrets, we are actually delighted at the success of AK6'.

On 18 January 2016 Lucara initiated a naming competition open to all Botswana citizens for the second biggest diamond for a prize of P25,000 (about \$2,170). The response with name suggestions included 11,000 emails and 1,000 SMSs which is a hugely impressive return in a country with only 2 million people. The winner was Thembani Moitlhobogi from Mmadikola village in the Central District who suggested the Setswana name ‘Lesedi La Rona’ which means ‘Our Light’ in English. According to Moitlhobogi he suggested this name because ‘the diamond is a pride, light and hope of Botswana’.

Figure 3: President Khama and local Lucara executives with the diamond



Source: courtesy of Botswana Daily News

The jewellery historian Vivienne Becker reckoned that ‘after holding the title of largest D colour diamond for nearly a century, the Great Star of Africa may soon have to relinquish it, as independent reports indicate that the Lesedi La Rona – although weighing less than the Cullinan in the rough – may have the potential to yield the new largest top-quality diamond that has ever been cut and polished’ (Becker 3 May 2016). Becker further noted that:

And if and when, after the sale, the time eventually comes to cut this spectacular rarity, a full complement of truly diamantine nerves will be required. For while the art and craft of diamond-cutting has radically improved since the Cullinan was cut, it is still through human ingenuity that the full beauty and light of a gem is revealed. Certainly, the laser scanning, plotting and precision-cutting used today were unimaginable a century ago, and our scientific understanding of the

diamond's optical properties has deepened. But the complex process of cutting diamonds remains intuitive, demanding experience and expertise as well as the ability to look into the heart of the stone; a generally high-stakes profession, it becomes especially charged in cases such as this one. According to the independent reports accompanying the Lesedi La Rona, the craftsman to whom the task of cleaving this stone befalls has the opportunity to cut what may potentially be the world's largest top-quality diamond. Only time will reveal the gems the Lesedi La Rona will yield. For the moment, all we know is that its sale will be a milestone in the history of diamonds and auction house sales, if only because this once-in-a-lifetime rarity will be on centre stage.

As a jewellery historian Becker must have been aware of what was reported to have happened to the cutter and designer of the Cullinan diamond in Amsterdam after King Edward sent it there to be worked on by what was considered the best craftsman in the business. 'The king entrusted the cutting of stone to the famous Asscher's Diamond Co. in Amsterdam, which had cut the Excelsior and other large gems. The huge diamond was studied for months. On February 10th, 1908, Mr. Asscher placed the steel cleaver's blade in a previously prepared V-shaped groove and tapped it once with a heavy steel rod. The blade broke, but the diamond remained intact! The second time, it fell apart exactly as planned, and an employee at the factory reported that Mr. Asscher had fainted'.²

Lesedi La Rona on a Global Road Show

As part of international publicity and promotion of the Lesedi La Rona, the stone went on a world tour of several cities critical in the diamond market namely Singapore, Hong Kong, Dubai, New York, Geneva and Antwerp before heading for London to be sold by Sotheby's in a public auction. According to David Bennett, Sotheby's jewellery division chairman, 'no rough even remotely of this scale has ever been offered before at public auction' (Becker 3 May 2016). During the build-up to the auction Vivienne Becker wrote that 'this historic stone would make any other gem look diminutive'. He continued his glorification of the Lesedi La Rona saying that 'given that it has already been identified by the Gemological Institute of America as possessing exceptional quality and transparency, it might make other precious stones look a bit dull' (Becker 3 May 2016).

On 7 April 2016 the rough gemstone was in Singapore where it was shown to about 50 carefully selected guests during an exclusive viewing at Ritz-Carlton Hotel. Concerning security nothing could be left to chance as 'A security entourage of very skilled people including forces and ex-military have been deployed to safeguard the diamond in Singapore' (Channel News Asia 8 April 2016). When William Lamb was interviewed by Channel News Asia in Singapore he told the journalists that his company hoped to connect 'with alternative markets, with high-net-worth individuals who are interested to look at diamonds not just as a stable store of wealth, but also as an object of beauty'. The idea was to sell the rough diamond at an open and televised public auction as opposed to a closed one with no publicity. This was an unusual approach because until then mainly cut and polished stones were put up for public auction. The Lucara hierarchy hoped that the global promotion of Lesedi La Rona would greatly benefit their company globally and also dispel the widespread perception in the West whereby diamond mining in Africa was largely associated with crude ancient methods and civil wars and social strife:

The discovery of the Lesedi La Rona – 'a complete anomaly' as Lamb describes it – also provided unprecedented exposure for the relatively small mining company. That Lamb says, has assisted the company in terms of visibility from an investment perspective. If anything, Lamb hopes Lucara can, through the story of the Lesedi, contribute to the image of the entire diamond (mining) industry:

² 'The Cullinan Diamond'.

‘Mining has never had a good reputation... It has been misunderstood and was poorly portrayed by one movie. We think we now have an opportunity to educate (people) about the diamond sector. People don’t quite understand what diamond mining is, and one movie which was poorly portrayed doesn’t help. They still think the process involves people standing knee-deep in muddy waters and sifting through rubble, but we actually have fully-automated machines at our mines and nobody on site gets to touch the diamonds. It’s not an inhumane process’. According to Mr Lamb, Lucara is going one step further and using machinery called Large Diamond Recovery XRT machines that aim to complete mining excavations more efficiently and ‘more environmentally-friendly with the use of less water and power’ (Channel News Asia 8 April 2016).

The movie Lamb referred to is the 2006 political war thriller ‘Blood Diamond’ starring Hollywood actor Leonardo DiCaprio, and portrayed illegally mined diamonds used to fund civil wars in West Africa. A London-based non-governmental organisation Survival International had for a long time argued that in Botswana the government was forcibly relocating the vulnerable and marginalised San or Basarwa (Bushmen) people from their ancestral CKGR to make way for diamond mining there. This became a vicious campaign between Survival International and Botswana government with the former branding diamonds from Botswana ‘blood diamonds’ while government argued that the country’s diamonds were used for development (Taylor and Mokhawa 2003; Good 2008; Solway 2009; and Kiema 2010). Survival International, which also campaigned against tourism business in Botswana, tried to decampaign Lesedi La Rona soon after it was discovered (Ontebetse 29 November to 5 December 2015) but the impact of this specific campaign is not clear.

Another factor for taking Lesedi La Rona on the international road show was to try and stimulate recovery in the global diamond markets which were in the doldrums. ‘The diamond sector had a torrid year last year [2015] on the back of a persistent supply glut and slowing demand, especially from China. Prices of polished and rough diamonds plunged 8 and 15 per cent, respectively, according to a report by Bain & Company’ (Channel News Asia 8 April 2016). Lamb claimed that the diamond industry had lately experienced a ‘return of enthusiasm’ which helped prices to rebound but also thought that the recovery could be short-lived owing to unstable consumer demand.

From Singapore the Lesedi La Rona shifted to Hong Kong, Dubai and then Antwerp. ‘Bart De Wever, the mayor of Antwerp, was also enthusiastic: “The Arrival of such a diamond reminds every one of the value diamonds have for the city of Antwerp. I hope the Lesedi La Rona returns for an extended visit, or even permanently, to be professionally cut by our experts’ (Mueleman 3 June 2016). From Antwerp it went to Geneva and New York after which it went to London for auction at Sotheby’s.

The Unsuccessful Open Auction Sale for Lesedi La Rona

According to David Bennett, the global road show for Lesedi La Rona received the most extraordinary response (Wilson 3 September 2016). The expectation was that the auction at Sotheby’s would also yield the most extraordinary sale on the night of 29 June 2016. ‘A historic event, the auction was live-streamed across the world and all eyes, particularly those of ordinary Batswana, were on Lesedi la Rona’ (Mguni 26 August 2016). On the big night or D-day Lamb appropriately ‘wore the raiment of his caste, a crisp tuxedo.... His wife had bought him new shoes for the occasion, the toe caps spattered with faux gems. He wore socks pattered with jaunty slashes of color’ (Hart 5 August 2016). Nevertheless, despite the extensive media publicity and intense global promotion Lesedi La Rona was unable to attract buyers. Matthew Hart, writing for *Vanity Fair* magazine observed that:

The Lesedi diamond opened at \$50 million and struggled from the start. Fifty-one million dollars,

someone offered, and too long after that, \$52 million. This was not the scenario that Lamb had imagined in his dreams. In that version, a forest of bidding paddles would have shot up in the room as eager buyers drove the price north of \$100 million. Just the month before, Lucara Diamond Corp.... had sold an 813-carat stone for \$63.1 million—the highest price ever paid for a rough diamond. Now here was this even greater jewel, the second-biggest diamond ever found, and where were the clamoring suitors? Just that morning at breakfast, Lamb's boss, Lukas Lundin, a Swedish oil and mining tycoon whose family is Lucara's largest shareholder, had explained to me that the company's commission arrangement with Sotheby's meant the stone would have to reach \$150 million for the auctioneer to make decent money. 'Up to \$100 million', he said, 'they make almost nothing' (Hart 5 August 2016).

The bidding, which was done by increments of \$500,000, could not go over \$61 million. This was a real disappointing development for Lucara which saw its stock on the Toronto Stock Exchange drop by more than 14% (BBC 29 June 2016). Responding to this development Lamb indicated that the Lesedi La Rona would not be put to a public auction again, and was undergoing assessment to decide on how it could be polished successfully (Modiakgotla 4 January 2017). Rebecca Doulton writing for *The Jewellery Editor* notes that 'Sotheby's drummed up enormous excitement around the sale and the colossal diamond was taken on a global road show to lure potential buyers, much like a rock star on tour' (Doulton 21 July 2016). The title for her article was 'The Rock Star That Got Stage Fright at Auction'.

'The Assassination of William Lamb'?: Why Lesedi La Rona Failed to Sell

He journalist Matthew Hart's provides a dramatic account of why Lesedi La Rona failed to sell let alone shatter world records contrary to anticipation. 'The assassination of William Lamb began at 6:45 P.M. on a soft June night. Spectators packed the killing ground, a sales room on the second floor of Sotheby's, in London' (Hart 5 August 2016). After the bidding process came to an end the 'Ashen-faced, Lamb got to his feet. A pack of diamond dealers closed around him. I thought of Julius Caesar at the Senate on the Ides of March. Those surrounding Lamb represented the old diamond order, whose grip Lamb had just tried to loosen. By selling the great diamond at auction, Lamb had attempted to replace the story some of these men tell the world with another story, and the daggers bristling from his back had been planted there by those who did not like the switch', claimed Hart.

He further notes that 'With the failure of the Sotheby's auction, William Lamb released me from the terms of a non-disclosure agreement with a ruinous breach penalty. By signing it, I had gained exclusive access over a period of six months not only to Lesedi La Rona but to the deliberations of the owners—their doubts, their anxieties, their hopes—and to the story of discovery that had set the attempted sale in motion'. Again according to Hart 'It was unique, like a great painting, and should be thought of as one would think of a Picasso. What's more, he intended to sell it the way a Picasso would be sold—at auction' (Hart 5 August 2016).

Diamond market experts argue that it was a strategic blunder for Lucara to sell Lesedi La Rona unpolished as this brought uncertainty and anxiety on the part of potential buyers. For instance, Hart claims that during the diamond-fuelled Angolan civil war (1975-2002) a 24-carat alluvial stone from Chicapa River was sold for \$4.8 million in Johannesburg, and after it was polished in New York the price skyrocketed to \$20 million (Hart 5 August 2016). He also notes that pricing diamonds is 'an arcane, rapacious art' which may have had direct bearing on the fate of Lesedi La Rona.

Hart says that the diamantaires were greatly angered by Lucara's open auction because it severely undermined and compromised their clandestine or Mafia business operation. It is better to let Hart do the talking here:

The high-end diamond game is played on a very small field by only a few players. Not many diamantaires have the financial muscle or the nerve to cut big diamonds. If they did not want to ‘contend in the open arena’, where would they contend? Well, they would contend in the shadows. Even before I had set out to see the diamond [in Gaborone]—when not a soul outside Lucara had yet seen it—I had heard dealers put it down. It was no secret that the diamond trade was trash-talking the Lesedi. I had heard the talk myself—the street was awash in poisonous gossip. I had always thought that the diamond itself would silence such talk, issuing into the world armed in its own magnificence. But in speaking with [Laurence] Graff [large diamonds buyer and jeweler], I now understood the enormity of the peril faced by Lamb and his jewel. For it did not matter what most people thought. It only mattered what these people thought, what Graff thought, and the few other diamantaires able to buy such a diamond. Even a collector not planning to cut it—some oligarch or sheikh—would want to know first how such men judged it: what they saw inside the stone. Lamb did not have these people at his mercy; at the auction, they had him at theirs....

‘I think they had a big buyer’, a veteran diamond-watcher told me. ‘I heard about people who were really ready to pay. But it’s an auction. They have to take their lead from someone, and non-trade buyers would follow the trade. But the trade was totally opposed’ (Hart 5 August 2016).

This observation dovetails with Tom Zoellner’s 2006 book entitled *The Heartless Stone: A Journey through the World of Diamonds, Deceit and Desire*. The book presents a litany of the madness, deceit, corruption and cruelty that permeates the diamond trade world. It should also be noted that unlike gold for instance, the demand for diamonds is artificially created by companies such as De Beers which mine large quantities of diamonds for stockpiling while releasing only a small amount into the market (Magang 2015).

Hart writes that he met Lamb two days after the auction and when he tried to make him aware of the allegations of diamantaires’ sabotage of Lesedi La Rona by trash talking it, Lamb felt that the ‘auction was a temporary setback and dismissed the trash talk with contempt’. However, later Lamb did concede that the open auction option presented an unpopular challenge to the way diamonds of Lesedi La Rona type had been traded before, and possibly stepped on some influential traders’ toes (Wilson 3 September 2016). This was a sentiment shared by analysts such as Ed Sterck of BMO Capital Markets in London (Wilson 3 September 2016). The opinion of Lukas Lundin, Chairman of Lucara, on the failed sale was that ‘One hundred years’ worth of history is not something you can change with a single auction’ (Wilson 3 September 2016).

Hart’s conspiracy theory appealed to the local Botswana newspaper *Sunday Standard*. It had the screaming headline ‘How Big Diamond Sharks Floored the Sale of Lesedi La Rona’ (*Sunday Standard* 8 August 2016). The newspaper indicated that the ‘Veteran Journalist and author with eight books under his belt, Matthew Hart, who was a fly on the wall throughout the whole scheming and manoeuvring has presented a peep show into the dog eats dog politics of the diamond trade and how it played itself out in the failed sale of Lesedi La Rona.... In an instructive metaphor, the British journalist likened the bombed sale of Lesedi La Rona to “the assassination of William Lamb”.’

Experienced Spanish gemmologist Adolfo de Basilio was of the view that ‘the question isn’t really why they tried to sell it at auction. The big question is who will dare to cut the stone? It has the potential to yield the largest diamond in history if cut by the right lapidary, someone of the stature of Gabi Tolkowsky [famous master diamond cutter], for example’ (Doulton 21 July 2016). Adolfo de Basilio also believed that Lesedi La Rona could not sell owing to the depressed global diamond market. ‘Last year was a great year. Since February of 2016, nothing is moving in stones...buyers are waiting to see which way the wind blows’ (Doulton 21 July 2016). A factor suggested by Russell Shor, senior industry analyst for Gemological Institute of America, was that the Lesedi La Rona may have been of lesser quality than the 813-carat rough

which Lucara had sold for \$63 million in May 2016 (*South China Morning Post* 5 July 2016).

Another theory advanced for the failure of Lesedi La Rona to sell was Brexit, an option for Britain to quit the European Union (EU) in a much publicized and greatly divisive referendum in which the British people voted for their country to leave EU. The result cost the pro-EU British prime minister, David Cameron his job. It was noted that Britain's withdrawal from EU 'has sent the pound tumbling and roiled financial markets around the world. But at Sotheby's in London's Bond Street two nights before the sale, you would never have known it' (Hart 5 August 2016). Lamb himself felt that the auction, which was undertaken two days after the Brexit referendum might have had an impact (Wilson 3 September 2016).

Another diamond analyst Paul Zimmisky, suspected that Brexit may have been a factor in the failure of Lesedi La Rona to sell. 'When you look at the potential bidders of a stone that's close to a hundred million dollars you know these are wealthy individuals and investors that have a lot of exposure to financial assets that sold off last week with that news' (Avi Paz Group 5 July 2016). This was an explanation Lamb also subscribed to as he indicated that 'it might have created a bit of uncertainty, a little bit of volatility, when people start to question whether it is going to have a major impact on the overall financials in maybe three to six months' time' (Avi Paz Group 5 July 2016).

An elaborate explanation for Lesedi La Rona's failure to sell was given by a diamond seller Ehud Arye Laniado in his website. His first explanation was that there had been no recent precedent to the sale of a stone of Lesedi La Rona's size because more often than not buyers look for price history in these transactions (Laniado 18 July 2016). He gave the example of a 12.03-carat gemstone they called 'Blue Moon' which he sold for a record \$48.4 million to a real estate tycoon in Hong Kong. The development led to several other blue diamonds selling for impressive prices on auction, he said. This thinking dovetails with very recent development whereby Sotheby's successfully auctioned a 59.6-carat pink diamond called the 'Pink Star' for a world record \$71 million to Chow Tai Fook jewellery sellers of Hong Kong (Mzamo 4 April 2017). So popular was the Pink Star, which was said to have been mined in Botswana, that the auction took just five minutes to complete.

Laniado also indicates that the same approach applied when selling art masterpieces. 'The price of a Picasso is influenced by how much was paid for it in the past, and prices achieved by comparable paintings. Without a comparable diamond, it is difficult for a private buyer to assess the diamond's value', concluded Laniado. To him the Cullinan Diamond could not be used as a benchmark after 110 years had lapsed since it was sold.

His major argument was that there had been 'a severe lack of intensive and extensive public education regarding the value of these rare diamonds' and further elaborated that:

So the two ways to assess a diamond such as the Lesedi la Rona are its historical and rarity value as the second-biggest gem quality diamond ever found, and the financial value of the polished outcome of the diamond. Since it holds these combined values, it requires a serious financial investment. At the same time, the risk factors naturally associated with polishing such a diamond are high. This risk factor should not be neglected considering the size of the financial outlay.

In light of the above, bidders and other potential buyers probably made the following commercial risk assessment: (polished value) subtract (profit margin + risk factor). I think that had the diamond been of the same quality, but smaller and lower cost, the discount on the risk factor and profit margin would have been much smaller (Laniado 18 July 2016).

In particular, he noted that the diamond industry failed to exploit the Lesedi La Rona's rarity value and drum this into the heads of members of public. As far as he was concerned the industry had not moved from treating diamonds as an aspect of 'jewellery to a perception of diamonds as an asset with the unique

value of rarity'. He was confident that had this been done investors and collectors would have been keen to buy Lesedi La Rona. Laniado does recognise the ability of Sotheby's to raise awareness beyond diamond dealers to savvy collectors and investors globally particularly through road shows. However, this was not enough.

Whereas other commentators blamed the 'open sale' as having been sabotaged by diamantaires he saw advantages in this approach because the bidding was carried out on the spot and those interested in buying could compare bids and 'make calculated and rational decisions'. To Laniado this was radically different from traditional closed bids common in the industry with potential buyers clueless about other bids which made the buyers operate with limited information. This being the situation he made a strong case for the diamond industry to make a transformation from closed bids to open ones. His other point was that open bids contributed to public awareness of rare stones such as Lesedi La Rona and create a market for them in the process.

The emphasis by Lucara to sell Lesedi La Rona as a rough stone to a collector for historical reasons instead of a jewellery maker is not necessarily a new approach. For instance, after the 971-carat Excelsior Diamond was discovered in a mine in the Boer Republic of Orange Free State in June 1893, it was eventually sold in London and cleaved into several pieces. This development totally displeased the general manager of De Beers, Alpheus Williams (1874-1953). He 'considered the decision to cleave the diamond into several smaller fragments as the greatest tragedy of modern times in the history of famous diamonds'.³

Lucara's Response to the Failure of Lesedi La Rona to Sell

Whereas the failure of Lesedi La Rona to sell was disappointing news for Lucara and Botswana generally, selling the diamond was said not to be a financial imperative for the company. It was reported to have already sold 47 diamonds of 100-carat or more including the 813-carat stone in about three years (*South China Morning Post* 5 July 2016). Even Lamb was quoted saying that his company was not desperate to sell Lesedi La Rona because they had an exceptionally strong balance sheet and no debt. 'Let's not react in an irrational way and choose the very first person that makes an offer', he cautioned (*South China Morning Post* 5 July 2016).

The aftermath of failure of Lesedi La Rona to sell involved Lucara executives going back to the drawing board to come up with another strategy particularly meant to counter the suspected saboteurs or 'the plan to outfox the hounds' (Mguni 26 August 2016). Having had time to regain his bearings and reflect on the company's next move William Lamb informed a local journalist, Mbongeni Mguni, that they would not put the stone on another auction nor a tender because the market already had the opportunity to see it. He also said that there was a great deal they still had to do in terms of maturity to make people appreciate his company's approach. Lamb also said that the next sale for the stone would be a private one 'but there are certain people that are on our blacklist for now. As I live, those companies will never buy that stone', Lamb swore (Mguni 26 August 2016).

Whereas Matthew Hart says that he did inform Lamb about sinister motives and actions of embittered diamantaires two days after the Lesedi La Rona failed to sell, Lamb seemed to dismiss the account offhandedly but by August 2016 he had fully converted. He was quoted by Mguni saying that while the auction at Sotheby's was being live-streamed on television 'unbeknownst to the live-streamers, there was a sinister undercurrent in the auction room that day, a plan that had been set in motion in the lead up to the sale, specifically to push down Lesedi la Rona's price'. He even disclosed that prior to the auction the plotters had sent negative signals to potential buyers against the open auction strategy. This

³ 'The Excelsior', (<http://famousdiamonds.tripod.com/excelsiordiamond.html>, accessed 2 May 2017).

involved badmouthing the stone and claiming that buyers stood to benefit only 25% from the gem whereas the expected return was in the range of 30% to 40%, Lamb told the journalist.

Lucara's new strategy involved subjecting the stone to thorough technical analysis in order for its value to be appreciated. Lamb's desire was to sell the stone in its rough form for historical reasons instead of selling it as polished pieces. 'This is historic. Before November last year, no one alive had seen a stone of that size before and there should be a historical premium for keeping it rough, even though the market did not see it that way'" (Mguni 26 August 2016). Nevertheless, business still had primacy over historical heritage something Lamb accepted rather reluctantly. 'I don't think the stone should be polished as it is unique. However, my job is to look after my shareholders and if they feel getting into a partnership where we benefit from the stone being polished is the way, that's another opportunity for us'.

When an earlier draft of this paper was presented to the Department of History's seminar series on 27 April 2017 some members of the audience enquired about land rights regarding mining in Botswana, and how the country benefited from a private company's discovery of the second largest diamond in history. Concerning land rights, Botswana law gives mining companies such as Lucara and others rights to mine the minerals on a lease basis while government retains the land rights. As for benefits to the country, government gets royalties and various forms of tax from the mining companies. Entities such as Lucara are also expected to engage in corporate social responsibility in the communities around the mining area and sometimes nationally.

A sentiment was also expressed that not much had been done by Lucara to emphasize the 'Botswana Pride', for example by putting the Lesedi La Rona on a national road show among other activities, and perhaps also promotional shows in a few African cities. Razzmatazz activities involving local models, traditional dancing troupes, cultural ensembles and popular music were also suggested instead of involving only the president and his cabinet for a brief photo shoot. A similar sentiment was expressed by the veteran geologist Dr Norman Lock when making a presentation at the celebration of Debswana's 50 years of Orapa mine operation in April 2017. Lock was cited saying that 'People globally have seen your light (Lesedi La Rona) but you are yet to see the light". He said it is not right that the biggest diamond in the world was displayed for public viewing in London and New York but not in Botswana (*The Voice* 26 April 2017). Whereas more could have been done to by showing the stone or a replica to the populace in Botswana, it is difficult seeing it being on an African road show because this was a business decision by a private company motivated by profit-making and not the Pan-Africanist sentiment.

Failure by Lesedi la Rona to sell led to reports that Lucara was thinking of splitting the rough stone into several pieces to be sold individually. This seems to have made the Botswana government proposing to amend the country's Precious and Semi-Precious Stones (Protection) Act to ensure that the government of Botswana held the right to purchase unusually large diamonds or those with unusual features (Robinson 20 September 2017). The reason was that the government saw these rare stones as part of the country's heritage.

Perhaps, it should be indicate that while Lucara did provide us with some information in the preparation of this paper, they did not provide feedback on the finished draft paper which could have provided a degree of balance to some of Matthew Hart's assertions.

Conclusion

This paper, which is presented from a historical perspective, provides an account of what has been considered the biggest diamond found in Botswana that also happened to be the second biggest diamond in world history. Whereas the sale of this gemstone was expected to bring excitement and greater prosperity it could not sell at the auction in London. This on the one hand gave rise to conspiracy theories while on the other hand quarters market forces were seen as having been responsible for this development. Therefore,

there was a multi-causal factors for the failed sale.

It is also quite interesting that the executives of Lucara were committed to selling the gem as a rough stone on the grounds that it was a rare and historical artefact and hoped that the buyer would keep it as an item of collection and historical heritage. However, the company was prepared to sell the stone to anyone for the right price even if the buyer would cleave it into pieces. In a way for trying to sell the gem as a rough stone to a collector the company wanted to preserve history by default. At any rate to historians this was an interesting development.

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