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**NAMIBIAN REVIEW:
MARCH 2005**

A BRIEF POLITICAL OVERVIEW AND CURRENT ASSESSMENT OF DIAMOND DEVELOPMENTS IN NAMIBIA

1. EXECUTIVE SUMMARY

The recent elections in Namibia saw the ruling South West African Peoples Organisation (Swapo) swept back into power with the same number of seats as the previous election in 1999. With the new presidential candidate Hifikepunye Lukas Pohamba only being inaugurated on 24 March, continuity of policy on all levels is more or less expected, given the fact that Pohamba was hand-chosen by outgoing president Sam Nujoma to replace him.

Potential rivals for the Swapo presidency were dealt with in the months leading up to the elections. This included specifically Hidipo Hamutenya, once one of Swapo's favourite sons, who was unceremoniously dumped as foreign minister by Nujoma in May 2004 just days before the Swapo Congress to choose Nujoma's successor. Though defeated, Hamutenya's background and support base in amongst people who were part of Swapo's Peoples Liberation Army of Namibia (Plan), will ensure that he emerges once again as Pohamba's chief challenger for the position in five years time.

The opposition remains weak and in general disarray with the once powerful Democratic Turnhalle Alliance (DTA), having lost nearly half the parliamentary seats it had prior to the last elections.

As far as developments on the diamond front are concerned the report makes the following broad points:

- Continuity in the government's diamond policy can be expected under Pohamba.
- Lev Leviev has been the driving force behind changes in Namibia's mining legislation in 1999 and further changes being contemplated for the near future.
- Changes in legislation will only take place after the new government is settled in – three to six months after inauguration. Changes will focus on diamond quotas for the local market, and expanding the manufacturing base of the country's beneficiation capacity.
- The Namibian government, however, will be wary not to introduce changes in legislation that might undermine the diamond prices.
- Kennedy Hamutenya is likely to be replaced in the months ahead.
- While leaning towards De Beers, he has a high regard for Lev Leviev, especially his key associate Arye Barboy.
- Diamond policy is ultimately driven from the President's Office rather than the Ministry of Mines and Energy (MME).
- Lev Leviev enjoys good relations with ex-president Nujoma.

- Leviev's Namibia foray is a stepping stone to the ultimate prize – Botswana.
- Leviev has contacts with organized crime structures, but they are not obvious.
- The Russians have a good network of business and political associates well connected to the Namibian establishment. This is backed by a network of "assets" or agents of influence across all key structures of the Namibian government.
- Nikolay Kuruskin's influence has waned somewhat, especially with Moscow. The key point man to look out for is his boss, Andrei Sladkov, owner of the influential "Slavic Club".
- Alrosa utilizes these political assets to facilitate discussions/ventures with the government.
- Despite the excellent political and diplomatic relations with the Namibians, the country is low on Alrosa's business development plans.
- Relations between Leviev and Alrosa remain tense.
- The future of Namibia's diamond industry will be one of controlled change to expand all facets of the industry, ultimately suiting Leviev's regional ambitions.

2. BRIEF ASSESSMENT OF THE ELECTION RESULT

The ruling Party, Swapo, and its new presidential candidate Hifikepunye Lukas Pohamba, expanded their party base across all regions in the 2004 general election after winning convincingly at the polls. Swapo cemented its hold on all but two of the thirteen regions gaining 50 percent more votes in nominal terms, than their 1999 general election result, but with their seat count remaining the same at 55.

<u>Party result</u>	<u>% Poll (2004)</u>	<u>Seats</u>	<u>Seats (1999)</u>	<u>% over 1999</u>
Swapo ¹	76.06	55	55	(+ 52)
CoD ²	7.31	5	7	(+ 12)
DTA ³	5.12	4	7	(- 18)
Nudo ⁴	4.16	3	0	new
UDF ⁵	3.61	3	2	(+ 87)
RP ⁶	1.96	1	0	new
MAG ⁷	0.85	1	1	+ 91
Rest ⁸	0.93	0	-	-

In the National Assembly of Parliament, Swapo garnered a total of 55 seats while the fractious opposition only managed to scrape together 17. Besides the northern

¹ South West Peoples' Organisation of Namibia.

² Congress of Democrats.

³ Democratic Turnhalle Alliance of Namibia.

⁴ National Unity Democratic Organisation (DTA split-off).

⁵ United Democratic Front.

⁶ Republican Party (DTA split-off).

⁷ Monitor Action Group.

⁸ SWA National Union; Namibia Democratic Movement for Change; Workers' Revolutionary Party.

regions overwhelming support, only Kunene (26 percent) and Omaheke (37 percent) cannot be regarded as Swapo regions. For the rest Swapo gained the following majorities: Caprivi (69 percent), Erongo 96 percent), Hardap (52 percent), Karas (64 percent), Khomas (64 percent and Otjozondupa (55 percent).

Allegations of election rigging were made by a number of opposition parties, including the COD, Nudo, RP and two other parties that won no seats. Counting of the presidential votes took five days instead of two. Opposition claims were that the electoral register was flawed. Initial figures released by the Electoral Commission of Namibia (ECN), but quickly revised, showed voter turnout of more than 100 percent in some areas. Ballot papers had also been found dumped off the sides of roads, while others had appeared to have been burnt. Overall, however, such irregularities were small and did not affect the wide margin of the Swapo victory.

2.1 CURRENT STATE OF THE RULING PARTY

The internal contest within Swapo between Pohamba and Hadipo Hamutenya just prior to the elections, showed no signs of splitting Swapo voting sentiment with all backing President Sam Nujoma's choice of Pohamba. Nonetheless an alternative locus within Swapo around Hamutenya and the Swapo ex-guerilla fighters (PLAN) has been evolving over the last three years, and will in the long run gain in ascendancy. Nujoma will remain effectively in control of all levers of state power for the next three to five years through Pohamba - allowing a slow relinquishing of initiative over state policy as his health fails. Hamutenya will contest Pohamba's position unless marginalized completely in Pohamba's first term. Joining Hamutenya's exit are two other outgoing ministers, the influential Jesaya Nyama of Trade and Industry and Helmut Angula of Agriculture. Their fortunes will be closely linked to Hamutenya's.

2.2 STATE OF THE OPPOSITION

Voter registration and turnout was unprecedentedly high. In 1999 a party needed 7 445 votes for a seat in parliament while in 2004 it needed 11 305. This put a performance squeeze on the lesser parties in spite of increasing their vote size as a percentage of the total. The movement of Ovambo speakers further south and to the coast has shifted the demographics of the country most noticeably in Swapo's favour over the past ten years in addition to its powers of patronage.

The official opposition status of the DTA slipped with two new parties forming and gaining seats from within its ranks. The original DTA under Katuutire Kaura took just five percent of the vote - half of its 1999 total - while the new breakaway party, the National Unity Democratic Organisation (Nudo) led by Herero Paramount Chief Kuai Riruako took four percent of the vote - mainly from the DTA support base. Despite much speculation of the DTA disappearing it has through its South African *alma mater*, the National Party and its membership of the African Democrat Union (ADA), maintained its wide regional influence.

3. THE IMPACT ON DIAMOND POLICY

The election of Hifikepomy Pohamba in many ways constitutes a re-election of the "usual suspects" or old guard interests. Given Pohamba's closeness to Nujoma, his election victory is essentially a symbol of continuity. Consequently little change is expected in diamond policy that was not already in the pipeline. No sudden revolution is being considered against De Beers, but there will be pressure for change exerted primarily via Lev Leviev and other disaffected actors in the country.

Pohamba is aware of the attacks on the Ministry of Mines and Energy (MME) by disgruntled/marginalized Swapo sectors, denouncing "corruption", trafficking of influences, insufficient empowerment/beneficiation action policies from major firms, nepotism and finally poor auditing controls of the diamond industry, especially after allegations that De Beers had underpaid its dues to the national treasury.

As a consequence of some of the criticisms levelled in the past, and especially after 2001, the MME was forced to ask for more inspectors – increasing the numbers from 13 to 22, backed by larger support teams, independent means of communication and transportation, etc. Five or six of the new controllers will be stationed at Swakopmund, and will focus on the inspection of diamond activities along the Skeleton Coast. The requirements of the Kimberly Process and the need for greater transparency, have also seen to the choice of a new valuator - DMC Namibia - that will ensure this vital task is carried out until 2010.

Concerning possible revisions of the 1999 Diamond Act, and especially with respect to Sections 58 and 59, there is a sense that change will be in the direction of further restricting the sale of export diamonds, to divert more rough into the local polishing industry. Leviev is determinedly pushing for greater local beneficiation – knowing De Beers' reluctance to tamper with its sight-holders - who since 1998, has been single handedly responsible for touting the beneficiation process to the Namibian government. Even Prime Minister Theo-ben Gurirab, renowned for being a fence sitter, agrees that this is the best direction for the Namibian economy to move. Leviev already has a number of close allies in Swapo, but not in overwhelming numbers to cause a break between Namibia and De Beers. It is a gradual but determined process, helped along by a common disdain for the colonial construct that underpins the way De Beers acquits itself in the world diamond industry, and of course inducements of various kinds.

These changes are only likely to take place, however, when a new director of diamond affairs is appointed, probably within three to six months of the new presidency being inaugurated. The market will be selectively opened to new partners close to the political establishment. But there will be nothing rash that will threaten prices of diamonds. A popular view will say that this "inward industrialisation" policy will benefit the Lev Leviev plan to introduce big processing plants, but there could be ways of accommodating De Beers and others' interests, for example, if sufficient increase in production would suffice to give occupation to all plants now installed, with the balance of carats available for direct export. The question really is what percentage of exports will mining companies be told to hold back for the domestic market. At this stage no one is saying.

The Diamond Act (1999) allowed for some monopoly busting with the granting of five licenses for cutting and polishing centers in Namibia. Lev Leviev Diamonds (LDD) has pitched in with US\$6,67 million for a diamond cutting center in Windhoek, and more are being planned. Leviev's pitch that Namibia could become the biggest cut and polish centre in all of Africa and Western Europe with his company's presence, is echoed in all Swapo pronouncements on the issue. Leviev has said the same to Botswana's President Mogae in pitching for the establishment of a similar center for processing roughs in that country.

4. THE MINISTRY OF MINES AND ENERGY

In a traditional sense, the Ministry of Mines and Energy (MME) under Nicky Iyamba implements and in some instances initiates diamond policy, but in real terms, the

center of diamond policy formulation stays firmly in the President's Office and more specifically with Sam Nujoma, and his successor Pohamba.

4.1 KENNEDY HAMUTENYA

A trained mining engineer from the University of Wisconsin, Colorado School of Mines, US, Kennedy Hamutenya is the Diamond Affairs Commissioner, having previously served as the MME's Under Secretary for Diamond Affairs. The diamond directorate was created a few years ago, to precisely answer the needs for better control and transparency.

Hamutenya is considered a veteran insider, a professional and knowledgeable leader in the diamond industry, and not placed in his position due to his ideological or revolutionary struggle credentials. A technocrat verging on the flamboyant, he is frequently criticised for holding a number of positions that could be considered a conflict of interests. This includes his directorship on the Namdeb board, heading its social fund; his Deputy Chairmanship of De Beers Marine Namibia, Minerals Development Fund Control Board Chairman, director of Namgem, and his directorship of DTC. He also enjoys a good social life, making constant appearances at beauty pageants and other social calendar events.

Vain and acquisitive, Hamutenya was recently caught in hurricane Ivan that hit the Caribbean (Jamaica) in September 2004. Officially there on state business, he nonetheless found time to service his Grand Cayman account. Within Windhoek political circles he is considered a "man who has made his money", with insiders suggesting that as much as R3 million has been stashed away.

4.1.1 HAMUTENYA'S VIEWS ON THE DIAMOND INDUSTRY

Hamutenya's vision of the future of Namibia's diamond industry, is the country sitting astride a high tech diamond manufacturing base, covering the cutting and polishing of diamonds of a high quality. He also favours no monopolies in any sector, except the one reserved by contract to De Beers. But he also says that not coming from a war situation like Angola, Namibia cannot favour any kind of arrangement on diamond sales as the one maintained, and now dropped by the Angolan Selling Corporation (Ascorp) – an indication that the De Beers agreement is not cast in stone. He also mentions that 2005 will be the contracted year for renegotiating with De Beers, and all the ideas should be frankly put on the table.

He nevertheless flatly rejects the suggestion – made by what he calls "coffee table analysts" and "outdated information journalists" – the story doing the Windhoek circuit that Windhoek's political establishment is using "young wolves" like Leviev, or proven role-players like Alosa, to exert pressure on De Beers to countenance a new deal.

Hamutenya says that any contemplation of the use of blackmail or bullying tactics would be inappropriate in today's modern world, and stresses that the real aim for Namibia is nothing but "transparent, rule of law and balanced market competition, comprising a multiplication of actors, to augment much needed revenue for the fiscus".

4.1.1.1 THE VIEW ON DE BEERS

Hamutenya thinks the arrangement with De Beers must come up for review either this year or in 2006 at the latest. He sees Leviev's access into Namibia as not mutually antagonistic with De Beers. Leviev is said by industry insiders to have formulated this rationale, as he did in Angola – a ruse to appear unconcerned with what happens with De Beers in both countries. Personally he prefers Leviev to the somewhat crusty approach of De Beers'. He has further characterized De Beers' reactions over Leviev's activities in Namibia as being one of "supersensitive" bordering upon the paranoia.

4.1.1.2 THE VIEW ON LEV LEVIEV

Although seen as close to De Beers (even being accused by certain Swapo circles of being "in the pocket" of the South African multinational group), and constantly arguing that gratuitously opposing the Oppenheimer empire would result in a mixture of "chaos" and "suicide" constituting also a breach of contract and setting bad examples for other groups, the Commissioner is also very favourably disposed towards Lev Leviev.

Privately Hamutenya has confided to Swapo Central Committee members that Leviev as an issue has complicated his work but has also opened up new opportunities. According to him, Leviev is playing a "vital and increasing social role", by opening shares in Samicor (see below) to the Namibian government, local authorities, youth organisations, various empowerment groups (Longlife Mining Corp) and, possibly other entities in future. He also stresses the promises made by Leviev, and apparently "contractualised", on the number of work posts offered to Namibians in his new factories.

He rarely shares his private views with his Deputy Director Asser Mudhika.

There is a view in some quarters that Leviev has certainly offered him inducements. In lobbying for changes to the country's diamond legislation, DTA Parliamentarians (eclipsed as official opposition by the Congress of Democrats) were offered top-of-the-line Mercedes vehicles.

Nujoma himself has said to Swapo Politburo members that he finds Leviev's upstart status within the diamond world both engaging and entertaining. He has also quoted Botswana President, Festus Mogae's caution about varying the state's relationship with De Beers as the predominate global player, to have waning appeal. In the opinion of Kennedy Hamutenya, Botswana will eventually have to allow the monopoly of De Beers diamond mining to end.

In private discussions between Leviev and Nujoma, Leviev's Soviet upbringing has been a topic of conversation (born in Tashkent, Uzbekistan, moved to Israel as a child) while both have proffered a mutual admiration for Putin's strong leadership qualities. Despite the antagonisms between Leviev and Alrosa, it suits Leviev to play the Russian card, given a.) the liberation struggle history between Swapo and Russia, and b.) his close links with Putin.

4.1.1.3 THE VIEW ON RUSSIA/ALROSA

Kennedy Hamutenya, respects the ex-Soviet Union's legacy in Swapo's anti-colonial struggle because his backers within Swapo like Hadipo Hamutenya (they are not related) are from that school. Russia has good relations with Swapo and has been in regular diplomatic contact with Nujoma. Since Putin's arrival on the Russian political scene in 1999, Nujoma has become more impressed with Russia after the hiatus in relations under Yeltsin, and the same goes for the view held by Pohamba. [See below.]

4.1.1.4 THE ANGOLA CONNECTION

Kennedy has personal links with the former head of Angolan military intelligence General Da Sa Ita and the former MPLA(PT) Secretary General Joao Lourenco. The problem for Hamutenya is that the co-ordination of Namibian-Angola diamond issues happens within the President's office, not Hamutenya's, and both Ita and Lourenco have lost their once significant influence on the Angolan political landscape. Leviev's diamond operations in Namibia are kept somewhat distanced from his Angolan activities though both legs involve the same people.

The Commissioner is also seen to be close to other interest groups. These include Steinmetz and ASCOT groups, through Ori Temkin; certain Arab interests, as well as being connected to the "new generation" of Swapo militants, including Matthew Hamutenya's empowerment group, and certain elements in the ruling party close to the controversially sacked Hidipo Hamutenya.

4.1.1.5 FUTURE PROSPECTS

All indications are that Hamutenya will be replaced within three to six months after the new government settles down – a victim of the power struggle between Nujoma and Hidipo Hamutenya towards the end of last year when the . Politically he will be axed for being too close to the PLAN / Hamutenya camp alongside the Director of Manpower. He is acutely aware that his own tenure is in doubt beyond 2006. Indications are that whoever replaces him will be someone close to the Pohamba/Nujoma axis. One name being mentioned as his possible successor is the current Minister of Finance – Saara Kuugongelwa Amadhila.

5. THE STATUS OF LEV LEVIEV IN NAMIBIA

Leviev looked at Namibia back in the late 1990s, as part of his broader strategy to become the dominant player in the mining and processing diamond industry in Southern Africa in the longer term. Botswana has always been the ultimate prize, though Angola was a useful, indeed, vital prop in building up Leviev's global reach. The plan is that in conjunction with Russia, Canada and Australia, to corner the mining and marketing of gem diamonds globally and to shift processing sites away from Antwerp to Tel Aviv (Israel) and Omsk (Russia). De Beers has and always will continue to be Leviev's single biggest obstacle. The hope is to push De Beers below the 50 percent mark in marketing the world's total supply of diamonds, that the thinking goes, will constitute a psychological melt-down barrier for the company's once pre-eminent position in the world diamond trade.

Leviev is being careful that opposition to De Beers does not translate into any collapse of diamond prices. But he will expand to suit his own business objectives, notwithstanding the presence of De Beers in the market. The LL Group's important strategic impact over the last few years has been in the acquisition of exploration

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licences for mines or deposits located in coveted countries, like Russia, Angola and Namibia, several ex-CIS countries, China and the DRC, and according to sources close to Leviev, possibly quite soon, Botswana and Sierra Leone.

Leviev's entry into Namibia, while less impressive than some of his other ventures, still mirrored the rest of his global objectives. His entry into Namibia accomplished several things simultaneously: a) he offered Namibia the hope of more monies through beneficiation proposals; (b) salvaged the investments of government interests with his acquisition of the Namibia Minerals Corporation (Namco) and through his subsequent formation of Sakwe Mining Corporation (Samicor); and (c) showed good faith in the establishment of Africa's largest diamond cutting works.

Namibia is a gate-way to other African areas, and it is a direct way to confront what he privately sees as his ultimate nemesis, De Beers, and his important rival, ARS-Arosa. His Israeli, Russian and Uzbek citizenships, helps him in wearing many hats to suit whatever audience he is engaging at the time, although ultimately his primary goal remains the advancement of Jewish business and political interests worldwide.

5.1 THE POLITICAL GAME

Matching his corporate goals is a parallel line, or second leg of political and philanthropic activity to ensure business interests do not collide with national interests of his host country, and that the two in fact mesh into a useful synergy. This has become very evident in places like Russia, Israel and Angola, and to a lesser extent countries like Namibia. Leviev lives in at least two worlds: the spiritual universe of Israel and one of its most traditional religious community, connected to Asian "Alyiah" (the movement of "ascent", or return) from the former Soviet Union Central Republics (Kazakhstan, Tajikistan and, in this case, Uzbekistan), and the sphere of Russian Jewry business and cultural interests.

Although sometimes low key and softly spoken, Leviev knows how to move his political pieces around the global chess-board, and has been advancing the cause of traditional Hebrew communities everywhere he wants to invest, from Africa to Asia.

In doing this in places like Israel and Russia, he was able to manoeuvre well to get extremely close to people like former prime-minister Benjamin Netanyahu and current Prime Minister, Ariel Sharon (without cutting his less known ties to certain circles within the opposition Labour party), as well as President Vladimir Putin and his new "Kremlin Cardinal", Minister Voloshin.

As indicated in previous reports, Leviev played a key role in moving Putin and Sharon closer together. Also with the help of Arkady Gaydamak, Leviev was able to move close to President Dos Santos and his influential daughter Isobel, to cut a diamond deal that would benefit both sides.

In the "philanthropic realm", Lev Leviev has been investigating the condition of Namibian Jews for the past 7 years, and concluded, through his own *Ohr Avner Foundation* (that opened an office in Windhoek), that the original communities are almost vanished, so much work has had to be done to celebrate their memory.

5.2 THE BENEFICIATION GAMBLE

Approaching Namibia in 1998, Leviev was unable to get the Namibian government to part with rough diamonds to market as Namibian gems abroad, as the Namdeb agreement with De Beers precluded any such agreement being struck with a third

party. Leviev was looking for his own supply of rough to feed his growing diamond cutting plants established in Russia, Ukraine, Israel and Armenia. Leviev's Russian operations were under pressure with rough supplies drying up from the country's Russia's once massive stockpiles of gems under the control of the state run "Committee for Precious Metals and Stones" (Roskromdragnet), which changed its name to Gokhran in 1997.

The only alternative sources was Alrosa but most of Alrosa's gem output was going to De Beers. Relations between Leviev and Alrosa have always been problematic, partly because of a tussle over Russian diamond policy that saw Alrosa demanding a greater percentage of its rough be sold on the overseas market, while the cutters led by Leviev were wanting a greater level of supply to flow to the local industry at reduced cost. It was a tussle that has not always gone in Leviev's favour.

He got his revenge against Alrosa in Angola in early 2000 when he got the Angolan government to agree that all Catoca's output, in which Alrosa was a major shareholder, would have to be sold to Ascorp. But by then he had already made a firm entry into the Namibian diamond industry and focused on taking on De Beers. Unable to bend the existing mining legislation at the time which entrenched Namdeb as the sole exporter of rough, Leviev played a key role in lobbying for changes to mining legislation that eventually took place in 1999, specifically related to Sections 56 and 58 of the Act. He spoke to all the key parties in parliament and no doubt used financial inducements. For example the head of the DTA was given a Mercedes. According to some allegations by opposition figure I. Shixwameni, Namco and later its successor the Sakawe Mining Corporation (Samicor) helped pay for Swapo's Congresses.

5.3 THE RATIONALE FOR TAKING NAMCO

In the light of the above, Leviev's acquisition of the Namibian Mining Corporation (Namco) from Alastair Holberton in March 2001, the company's founder in 1993-1994, starts to make more sense despite the fact that it was on the verge of shutting down in the face of sharply declining prices. Economically, the acquisition made by Lev Leviev Diamonds (LLD) costing US\$20 million for 39 percent of the shares hardly made any sense at first glance – facing an operational loss of US\$ 28,8 million and saddled with US\$ 35,3 million in long term main debt (without interest).

But it served Leviev's broader strategic vision on a number of important levels:

- NAMCO would serve to give Leviev direct access to important sectors of the Namibian State, and in doing so, to the key political decision-makers in the realm of mineral and diamond policy. The company was for long considered part of Namibia's "national interest", with a long list of shareholders belonging to the corridors of power. Among the Namibian shareholders of NAMCO were the former prime Minister Hage Geingob and his wife Loine Geingob; former prisons minister and current foreign Minister, Marco Hausiku; Mathews Shikongo (Windhoek mayor); Justus Garoleb (UDF); Pashukani Swomhe (businessman and ex-MP); ambassadors Martin Andjaba (UN) and Wilfried Emuvula (France); former PM advisor Jeff Mbako; businessman and political figure Nangolo Mbumba; and the companies Kalahai Holdings and Namib Contract Haulage. Swapo's political leadership held 8 percent of Namco's shares.
- Leviev's partners in France were also influential in giving Namibian officials top treatment in Arkady Gaydamak's apartments in the Côte D'Azur area. This included both people from the mining and the defence ministries. Gaydamak's

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estates that were used are in the Islette and the Marina Baie des Anges, in Cap D'Antibes, in the Nice-Cannes area. The two houses were bought through Palmetto, a Luxembourg firm.

- This was assisted by the fact that Namco's house in Cape Town was supposedly used as free board and lodging space for visiting Namibian dignitaries.
- Last but not the least, Holberton had for some time enjoyed direct access to former president Sam Nujoma, although Lev subsequently managed to do likewise, without his help.
- There was also the "De Beers factor". Although Leviev knows that he (still) does not play in the same league as the De Beers Group, he sees it important for LLD to be where the top players are, if only in a minor or non-competitive role.
- According to Leviev, there was also the need to experiment in the risky field of oceanic gem recovery, one of the few techniques and modes of extraction still not yet possessed by the group. This was added to the 15 years exclusive rights acquired of fine diamond production from Namco. Consequently, Leviev planned to invest more on survey and research, and to locate new deposits in all areas of exploration owned by Namco, including the ex-ODM licensed area of Block 36, acquired in 1999, that brought an additional 362 square kilometres under the control of the company. This of course will now take place under the Samicor banner.
- Leviev had to show some willingness to put his money where his mouth was in encouraging the Namibian government to revisit the Namdeb deal.
- The deal also gave Leviev a better understanding of the Namibian ruling elite that would help open doors to both Angola and the DRC, and later Botswana, which despite its "pro-American" orientation, is according to Leviev, "independently minded" on the question of gem production.
- The Congo link was especially important, initially, given that LL Mining was also offered a "venture" with the controversial August 26 Holding (ATSH) which was given diamond mining interests in the DRC. [See below.]
- Though Namco was in a crisis facing liquidation, it had inherent value, especially in the mineral reserves it held, far more than the US\$20 million that Leviev paid for 39 percent of the shares.

5.3.1 FROM NAMCO TO SAMICOR

It was not so much Leviev the entrepreneur but the Namibian cabinet that, back in 2000-2001, asked him to bail out Namco because it lacked technological input, professional management, "internationalisation", complex financial arrangements, etc. Consequently Leviev's investment in Namco was as much a strategic decision as a business one. The political elites were looking for a more competent benefactor to look after their 8 percent share-holding. Leviev obliged knowing that it would assist him in influencing legislative changes in the diamond industry to suit the Leviev diamond empire at the expense of De Beers.

While careful not to antagonize his Swapo political shareholders, Leviev accelerated the demise of Namco to rid it of its old share-holding and replace its top management

with his own. With banks the major interest holders, Leviev led a consortium that paid the banks back their credit lines to Namco in order to secure the mining rights. All Namco's rights were transferred to the Sakawe Mining Corporation (Samicor) with the dissolution of Namco arranged beforehand so that Leviev could ditch other stake holders and replace them with ones Swapo wanted as part of the empowerment deal.

This was concluded in 2003. LLD immediately was a bidder for the renewal of all Namco concessions, and proposed to Windhoek the constitution of a new entity, that would be able to profit from the company's experience, but be freed of its huge debt.

Formally who hold those rights is hard to say as the state registry is off bounds to those asking. Hamutenya intimated Leviev did well out of the Namco winding up and that his standing within Swapo was not affected. Key shareholders like the Namibian government were promised that they could become investors in a new company, that would not commit the same "technical mistakes" as Namco had. Together with Island diamonds, LLD's men then proceeded to erect Samicor.

Founded on 3 April 2004, the company is 75 percent owned by LLD, as a subsidiary of Marine Diamond Mining, and re-utilises many people from the old Namco board, including: Arye Barboy as Chairman; Kombadayeku Kapwanga, as director; long standing Leviev collaborator, Israeli Eliezar "Eli" Nefussy, as CEO; Ya'aqov Adir (director of Africa Israel Investments, in this case monitoring diamond companies); and Toby Lambooy, director of operations, among others. Altogether two thirds of Samicor's present labour force of some 260 people, were drawn from the Namco operation.

Samicor says it has proven reserves of 12 million carats, allowing full scale extraction to take place until 2034, in the 13 offshore mining licenses belonging to Namco. New surveying techniques will be employed utilising using four ships, with three considered fully operational by 2004, namely the *Namibiam Gem*, the *Kovambo* and the *Sakawe Explorer*. This last ship is the ex - *Sea Spain*, chartered in the Netherlands and re-equipped with reportedly latest generation mapping technologies, allowing specialised crews to operate from the ship platform directly in the sea bed, with remote sensor support and extended mechanical devices.

Important is the company's new shareholding. Under the new Samicor agreement (3 February 2004) the "progressive arrangement" as far as the shareholding goes is the following:

- Government Namibia (8 percent)
- Long Life Mining Corporation (10 percent) - A Swapo company in all but name.
- Namibian Youth Service (2 percent) - In reality a Swapo Youth League front.
- Samicor Employees Trust (4 percent) – A Swapo unionist orientated entity.
- LL Diamonds (75 percent) [See Appendix I]

5.4 LEVIEV'S CIRCLE OF ASSOCIATES

Leviev's foray into the Namibian market has been underpinned by a fairly competent grouping of close associates he has put together under him who first managed Namco and now Samicor. Some have moved on but still serve Leviev in other business spheres.

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After the acquisition of Namco in March 2001, Leviev brought in a new broom to sweep the old management aside, including Holberton who was talked into "resigning". In its place was placed some of Leviev's most trusted and financially astute mainly Jewish employees, who would implement Leviev's demand for more effective control of managerial decisions and the implementation of longer range objectives. They included the following, most of whom continue to serve on the Samicor board as well.

Arye Barboy: (40) Barboy is one of Leviev's closest associates, as the chairman of the board of both Samicor and previously Namco. He was also one of Leviev's key operational associates in Ascorp, Angola. Since 1999, Barboy has held the post of Director General for International Investment at the LL Mining Corp. He comes from an Environmental Engineering background, having obtained degrees in Industrial Management, BA and MA in Operational Research and Decision Sciences) in Israel, where he was a partner, with Arie Ben-Rimon, of *United Project Services* (POB 985, Beer Sheva 84106). He also worked, in Israel and South Africa, as project manager for Bateman Eng. Israel (Eli Banea, POB 15, Yokueam 20692), and Batepro S.A..

One of Barboy's closest associates for Public Relations is **Marcus Courage** (also a consultant to Ascorp, based in London. Courage deserves mention here. He won several prizes for excellence in PR work, dealing mainly in international and government affairs, and while working for both Ascorp and Namco, still maintains his post at the Weber Shandwick/ICG PR firm. He met Leviev through Shandwick's Russian affiliate, PRP. Courage also had (as of 2002) in his client portfolio, the Nigeria High Commission and Strategic Profile International, a firm that is none other than the main vehicle for the British-Libyan Business Group in London.

Currently, Courage is pre-occupied as managing director of the UK based Africapractice, a Commonwealth Business Council organisation for the British Commonwealth, destined to gather projects and funds for development. It is supported by NEPAD. As PR consultant, though, he still maintains a portfolio of clients that includes Africa-Israel.

A less known Angolan connection to Arye Barboy is Banco Sol, an Angolan "social institution", created in 2000 which specializes in granting loans to small enterprises, poor families and co-operatives. Barboy served as advisor to the board, and apparently has a small percentage of shares. Other shareholders are Noé Baltazar (Ascorp Chairman), António Mosquito Mbakassi (ex-Falcone partner, ex-Simportex board member, and Audi car dealer in Luanda), brothers Sebastião and Natalino Lavrador and, according to several sources, president dos Santos wife, Ana Paula.

Ran Rahav: Another person from LL Mining's office in Israel, who lent his talents to Namco/Samicor in the communications field, was Ran Rahav. Described as an Israeli PR "*wunderkind*", he is not directly working for the Leviev structures, but under contract to revamp the whole group image, having started with the bathing suit design of Africa-Israel *Gottex* clothing outlet. Ran Rahav is now the head of RR Communication, a PR firm that has an important portfolio of clients in Israel. Among those are Remedia Pharmaceuticals, Discount Bank, El Al, Haim Saban (owner of Ma'ariv), Doron Oviv (Ocif Investment and development Ltd), as well as the Channel 9/Israel Plus group, owned by none other than Lev Leviev.

Eli Nefussi (or Nefussy): Samicor's current CEO, Nefussi was administrator of the Crowne Plaza, Holiday Inn and Express chains in Israel, as part of a contract with Africa-Israel and LLD enterprises. He also worked with the group of "settlement

hotels" known as *Hachsharat Hayishuv*, where he cultivated good relations with both the Israeli Defence Force (IDF) and the Military Intelligence Wing (*Am'an*).

Leviev wanted to use Nefussi initially in a sort of caretaker position overlooking Namco's previous CEO Holberton. But the need to have the Israeli manager concentrate more on the financial make-up of the company pressed for a quick solution in terms of Chief Executive Officer. He remains the key linkman between Leviev and the shadowy world of organised crime. [See below.]

Greg Walker: For a period, Greg Walker became Namco's new Australian CEO in 2002, and after its collapse became one of Leviev's pathfinders in the DRC. For most of his life he has been engaged in PR and media and negotiation issues. One of his first major breakthroughs over 20 years ago, was helping to settle sensitive questions between Ashton JV/Kimberley Diamond Mines, and local aboriginal groups. He connected with Noel Pearson, both to convince elders that their land was not being destroyed, and to convince Australian public opinion that his company was "human environment" friendly.

His subsequent association with Rio Tinto lasted for a long period, but he also profited in connecting with several PR outlets in Australia, doing his own good job of promoting corporate causes, or under contract for important companies, like Media Monitors Australia and Neville Jeffress Advertising.

After Namco's collapse, Walker became a routine visitor to Tshikapa (Bas Congo) and Kasai, DRC, on behalf of Leviev. Joseph Kabila had meetings with him, and Israeli dealers in Katanga and Kasai with Leviev connections helped in the introductions to Kabila, his Minister of Mines and MIBA. Leviev pitched Kabila with the same line he used in Gaborone, Luanda and Windhoek on beneficiation as a first step to displacing De Beers and Dan Gertler. Leviev also offered to obtain former Russian (Jewish) special forces living in Israel to train Kabila's Presidential Guard, but was declined in favour of Zimbabwe.

Since mid-2004, Walker has been in contact with the notorious Congolese Mai Mai who control vast swathes of the eastern DRC jungles through the political umbrella organization, *Parti National Congolais*. He is referred to as "Gregoire". Leviev was interested in Kissangani Blue gem diamonds (under control of Ugandan aligned Nyamisi for now). Leviev is known as "Levi" and Nefussi as "Refuzi".

The problem for Walker (and Leviev) was that the ruthless Mai Mai (Nande tribe) through General La Fontaine (aka PNC) are settled around Kissangani. They prevented Anglo Gold opening a mine in eastern DRC after an interview with Robert Danshin (New Mining Investments) and Kala Mpinga went badly awry with a South African representative in Johannesburg – a meeting reportedly set up by Julian Olgivie-Thompson through an American contact.

Leviev wants to know the volumes of private alluvial take in the Kivu and Orientete provinces passing through to Zambia, Rwanda, India and Pakistan. Clearly buying outside the Kimberly process was being contemplated.

Another Leviev associate "Avir" deals with Mai Mai leadership in Johannesburg's Yeoville suburb, although no "Mai-Mai" stones pass through South Africa. Avir and Leviev have had a hard time convincing Mai Mai to trust them – given their general dislike of (white) foreigners. As far as can be ascertained, no stones have come their way. De Beers is also disliked by them for allegedly funding the Rwandan backed RCD through Mpinga.

The interesting aspect of Greg Walker is that he was doing work for Leviev in the DRC while he had officially accepted a contract with BHP-Billiton in 2003, that was renewed in August 2004. He is now team leader for customer relations in the airborne sensor technology demonstrator known as FALCON.

Despite his main office being in Sydney, he has been working in Angola and the DRC, showcasing the system, described as ground - breaking by BHP-Billiton.

Toby Lambooy: Samicor Operations Director, Lambooy, in his early forties, is a South African with mining experience, who was previously chief of operations for Namco. He was connected to the South African charter plane and helicopter firm, Federal Air (Fed Air), based in Cape Town, where he managed to have the firm do air liaison work for Namco, and renewed the contract with Samicor.

Ya'akov Adir: Director for projects and investments in the Africa division of Africa-Israel. Adir works under the CEO for international projects, Avi Noteh. He has visited Namibia at least five times for long with long stays since 1999. Adir is well connected to ex-president Nujoma. A security source in Israel says he is in his fifties, and that he was once an air intelligence operative, in the Israeli Airforce (IAF).

The rest of Samicor's board is made of **Frank Giustra**, who worked for Yorkton Securities and Linus Gale Entertainment; **Jay Kellerman** (important role-player in the Archangel deliberations), who is a lawyer and former partner of Strikeman Elliot and Associates; **Nell Woodyer**, who worked for Endeavour Financial (with departing **Tony Williams**), who facilitated contacts with the LL group); **Peter Looljen**, who continues as director of exploration; and Samicor Director, **Kombadayedu Kapwanga**. It was Kapwanga that delivered an "official certificate" for new shares to the Namibian Minister of Finance acquired by the Windhoek government, late 2001 (that led to opposition claims that Namco was being bailed out only for constituting "government business").

Main Samicor associates with their Namibian connections are:

- **Toby Lambooy (Operations Director):** Hendrik Witbooi (Swapo Vice President). Asser Mudhika (Deputy Director of Mines)
- **Kombadayedu Kapwanya (Director Samicor):** Joseph Iita (Permanent Secretary Mines and Energy); Kennedy Hamutenya; Nicky Iyambo (Minister Mines and Energy)
- **Yaakov Adir (Director Africa Israel Investments):** Nujoma, Gurirab, Pohamba, Nahas Angula, Nicky Iyambo;
- **Eli Nefussi (Samicor CEO):** Nujoma, Pohamba, Nicky Iyambo; Kennedy Hamutenya, Joseph Iita, Henock Ya Kasita (Deputy Minister Mines and Energy);
- **Arye Barbooy (Samicor Chairman):** Nicky Iyambo; Joseph Iita; Henock Ya Kasita,

5.5 LEVIEV'S NAMIBIAN BACKERS

Leviev's Namibian successes could not have been achieved without engaging the political establishment. His entry into the Namibian market was initially made at the very highest level. Lev Leviev met the then Minister of Mines Jesaya Nyamu, several times in the months leading up to the March 2001 deal, between January and February 2001. He made contact with Sam Nujoma, initially via Holberton, and then later obtained a "direct line" through then finance minister and current Minister of Information and broadcasting, Nangolo Mbumba. His links with Nujoma have always been close.

Other key associates include the trade and industry Tsar Jesaya Nyamu; former deputy minister of mining and current Director General of the National Planning Commission (NPC), Immanuel Ngatjizeko; and Diamond Commissioner Kennedy Hamutenya, a more recent development, especially with Barboy, although he is still viewed as essentially "sympathetic to De Beers"; several Swapo National Assembly and National Council specialised committee members, etc.

Leviev was able to sell his vision and plan as one of giving "wealth back" to Namibians in terms of his proposals on beneficiation, new concepts on job training and employment expansion, which made him popular among trade unionists, education specialists and SWAPO "true patriots".

Only Aaron Mushimba (owner of PE Minerals holding mineral rights for the Rosh Pinah zinc mine) openly expresses reservations about Leviev as a person within senior Swapo circles. He is said to act for Maurice Templesman who offered Namibia an interest free loan in 2002 in return for De Beers keeping its exclusive marketing contract for Namdeb diamonds. (Leviev countered with guarantees for half of Namibia's national debt – around US\$2 billion at the time.) Mushimba is the brother of Sam Nujoma's wife Kovambo.

But Pohamba's accession means Mushimba and others will become more isolated relatively speaking from the center of influence and therefore enhances Leviev's prospects vis-à-vis Alrosa and De Beers, not only in Namibia but also in Botswana. [See below.]

On a personal level, Leviev's contacts and meetings in Namibia are arranged by Arye Barboy and Nefussi when he visits Windhoek. Leviev's personal messenger in Windhoek is one "Derick".

5.6 THE ATSH CONNECTION

Part of Leviev's entry into Namibia was also linked to the establishment of the controversial August 26 Holding (ATSH) in which Nujoma obtained two mining concessions around Tshikapa from Laurent Kabila. ATSH was created in August 1998, registration number 98/324, has its main office at a Ministry of Defence building, in No. 13 Bessemer St., Windhoek POB 5013. The managerial role of Erastus Negonga, David Shimwino, generals Martin Shalli, Andima, Ngiishililwa, and, indirectly, Defence Minister Eniki Nghimtina and DMI Shaanika Amukwaya, is well established. Other shareholders and investors included Windhoek Maschinen Fabrik (WMF), maker of the Werwulf MKII mine disposal armoured car; Hutchison Port Holdings, and John Bredenkamp (through ACS). The biggest shareholder, however, according to Swapo insiders is Nujoma himself.

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According to its own statute, the ATSH core group can negotiate joint ventures and financial arrangements with other firms, and this is where LL Mining fits in, helping the company in management, marketing and re-structuring skills. As International Investment senior officer for LL Diamonds, Barbov reportedly studied the plan, and it seems some assistance was given. [More information being awaited.]

Leviev's help would also come handy in another related field. ATSH connected WMF saw a large chunk of its share-holding bought out by the Namibian government, hoping to market its Wer'wolf semi-armoured military vehicles in the DRC (that already has 20 units, needing upgrades), and possibly in other African countries.

Leviev was approached to provide Israeli marketing expertise, either "direct" or indirect. Nigeria, Uganda and Angola are some of the markets that interest Namibia. The NDF has only 11 Werwulf's, and had planned to buy 10 more.

At the time, sources indicated that any help given by Lev Leviev would be reciprocated by the Namibians lobbying Kinshasa for LL Mining to profit more from the end of Dan Gartler's IDI Ascorp-like diamond trade monopoly. All indications are that this did indeed happen when LL Diamonds benefited handsomely from the ending of the Gertler monopoly.

Today the ATSH Holding Company, is theoretically still the concessionaire of around 25 sq. kms of mining space, 45 kms south of Tshikapa, in the DRC West Kasai province.

The company is waiting for US and Belgian partners. Indications are that the concession ceases in 2006, and there is no sign it will be renewed by Kinshasa.

5.7 LEVIEV'S DIAMOND CUTTING OPERATIONS

In making the case for beneficiation, Leviev's Samicor's operations opened Africa's largest diamond cutting factory in Windhoek in Namibia in July last year. Costing 40 million Namibian dollars (about \$6,67 million) and having a ready capacity to cut between 25 000 to 35 000 carats a month, it will process up to 15 percent of the rough diamonds produced in Namibia. LLD Diamonds Namibia will cut diamonds supplied by Samicor. Employing 550 people, it is by far the most impressive facility of its kind in the country. Most technicians, however, in the factory are Russians.

LLD's group has promised Namibia it will open 3 or 4 more such factories, depending on the present success and rate of production. According to Leviev sources, these future plants would employ a total of 3 000 workers, almost as many people currently employed by Namdeb in the country. Not surprisingly the diamond legislation, specifically Sections 56 and 58 will be amended to be more specific on the volumes of rough to be held back for the local market. The battle in Namibia is shaping up to be similar to that which has and continues to exist between Leviev and Alrosa in Russia.

The LLD group says the opening of the cutting plant and the formation of Samicor, altogether represents a minimum of US\$46,2 million investment in Namibia for the 2004-2006 period, with the company on a "scouting mission" for other partners in technical and financial solutions, aiming at bringing more business from other countries into Namibia. One such effort apparently is the 2004 joint venture contract with Diamond Fields International.

5.8 THE LEVIEV/PALAZZOLO LINK

The third leg of Leviev's business success recipe has to do with his alleged links to organized crime syndicates and maverick business personalities who skirt the boundaries of illegality, both locally and internationally. Arkady Gaydamak of the Falcone-gate affair is one good example, and there are others.

Two sources approached on the alleged links between Leviev and organised crime came up with two very different conclusions. The first source in Europe admitted that while the lack of accountability and transparency of some of Leviev's personnel on his various boards leaves a lot to be desired, no direct nor indirect - connections with Vito Palazzolo (aka Robert von Palace Kolbatshenko), tried in absentia in Italy could be found. According to "trusted international law enforcement sources" these possible connections were carefully investigated in 2002, and nothing was proven. The European source also says that Aldo Sarullo, the PR and image consultant now working with Palazzolo, could never manage to even get in touch with Leviev, whenever he tried. Apparently, Leviev wanted to distance himself from anyone that would remotely looked to be linked to the alleged mobster.

Leviev of course has always been highly sensitive to allegations that he mingles with individuals from dubious political and financial backgrounds – especially those connected to the Russian-Jewish mafia. He claims that after some years of initial mistrust, credible individuals in the diamond industry can now vouch for him Jewish and non-Jewish personalities alike, like Eli Izhakhof, William Boyajin, Abbey Chikane, Makenda Ambrose, Sebastião Penelas and Manuel Calado, Shmuel Schnitzer, NY based C. Banda, Gaetano Cavalieri, Simcha Lustig, Moti Gantz, etc. Interestingly, however, no one from Alrosa is willing to vouch for his integrity.

However, Namibian and Russian allied intelligence sources in Namibia paint a very different picture. Leviev did indeed have contact with Vito Palazzolo via their two respective intermediaries Eli Nefessi (Leviev) and Leonard Phelps (Palazzolo).

According to these sources, Eli Nefussi (sometimes spelt "Nefussy") is or was connected with the US-based New Jersey Italian mafia and through them connected with the Russian mafia (especially the Jewish component made up of former members of Soviet Special Forces) living and working as "enforcers" in the New Brighton and Brooklyn areas in New York. Most of them immigrated through Israel. They apparently met and subsequently co-ordinated business dealings in steam baths – a favourite old KGB technique as it precludes the possibility of body taps and listening devices installed in such environs.

Leviev was somehow involved in setting up the first meetings when in Russia and Israel. Leviev has also acted for Russian (SVR – formerly the KGB) and Israeli intelligence interests, thereby neutralizing the possibility of state interference in New York, Moscow and Tel Aviv.

Palazzolo was introduced to Nefussi by New Jersey mobsters, apparently on account of the weight he pulled with the Russians in Brooklyn. His wife also has some local background in New Jersey. Russian and Italian mob structures had reached a working agreement covering New York, New Jersey, Maryland and Connecticut in 1993 in order to avoid turf wars and established a working channel to settle potential disputes.

Phelps' role in Namco was agreed to in 1999 when Palazzolo needed a local representative in Namibia. Leviev agreed on an "in" for Palazzolo after Nefussi made

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a pitch to the New Jersey mob for opening an avenue for legitimate business diversification. The Italian mob really wants diamonds as convenient means of moving value in and out of the United States.

How Phelps met with Palazzollo is not known, but Namibian security services acting for the FBI (US) noted Phelps' movements when leaving and entering Namibia. No internal monitoring (physical or electronic) occurred while he was in Namibia, however.

Phelps' state of knowledge has been much speculated upon within Swapo and Namibian security services. The US embassy through United Democratic Front (UDF) president, Justus Garoeb, did attempt to tease information out of government but were strongly rebuffed. Garoeb is widely viewed within Swapo as being in the pay of the CIA. The consensus is Phelps (known as "Mr Mission Impossible"), knows a lot about the Leviev/Palazzollo relationship and seems confident he cannot be touched locally or in Europe.

Leviev has met Palazzollo in South Africa on at least two occasions (where/when is not known). Their communications have been monitored over the past three years. Namibians security elements say American and Italian government inquiries have kept Leviev and Palazzolla more physically distant from each other in recent times, with Nefussi and Arye Barboy acting as the go-betweens.

Leviev in his business communications uses former-SVR and Mossad trained operatives and their systems. He is said to carry his personal crypto keys on him at all times. Samicor and LDD Diamonds also use routine encryption between Africa, Israel and Russia (Voice analogue scrambler and email).

To quote Forbes magazine: "He may not be crooked, but he knows a lot of crooks".

5.9 LEVIEV'S OTHER INVESTMENTS

Leviev's investment strategy in the region is simple one – all investments are ancillary to his diamond ventures. They provide the support mechanisms to enable the more efficient extraction, movement, processing and marketing of diamonds. His key focus is therefore investments in the chemicals, hotels and transport sectors of the economy.

On 15 June 2004, Africa Israel Investments announced that it was part of a bidding consortium that was selected to build and operate a shipyard in Namibia's Walvis Bay port. The \$10 million project will be the holding company's first in Namibia. The company is currently negotiating to build an office complex in Windhoek, as well.

Africa-Israel will hold 42,5 percent of the consortium, putting it on equal footing with its main partner, an unnamed South African shipyard company. A local engineering company will control another 10 percent of the project, and Namibia's port authority will hold the remaining 5 percent.

The group won the rights to a 25-year license to construct and then receive revenues from the shipyard under the Build Operate Transfer (BOT) model, which will be employed for the first time in Namibia. The shipyard will include floating inspection facilities capable of handling freighters weighing as much as 8 500 tons, as well as work stations. The contract also requires training professional port workers and repairmen.

Leviev is also giving some serious thought to buying Namibian Airways whole or in part. Any investment in Namibian Airways would be to secure an efficient vehicle for the movement of his diamonds in and out of the country.

Leviev confided to Nujoma, in mid-2004, that LLD and Africa-Israel would be ready to invest in many non-mining areas, both because they believe there is a future and profit to be made in Namibia, and also as a sign of political trust and reciprocity for the "positive way" Windhoek had welcomed their entry into what was previously a very exclusive diamond club.

Linked to this is the fact that Leviev acts as a facilitator for allied Israeli enterprises wanting to invest in Africa, provided these are corporations whose activities and agendas are not incompatible with LLD's objectives as indicated by a source in Tel Aviv. Part of Leviev's deals with Windhoek also then bring the promise of more solid groups from Israel and other Jewish corporations in the world, possibly attracted by Namibia's good infrastructure and socio-political stability.

This explains how Leviev was instrumental in promoting the visit of a large Israeli business delegation back in March 2004, consisting mainly of executives of companies integrated into his empire, but having also links to other corporate groups. The team was headed by Africa-Israel's top man for international investment, Ya'aqov Adira, and included people from the engineering firm Tahal.

Leviev recognises that he has enemies in Namibia, especially the "pro-Palestinian" lobby inside the SWAPO movement, but hopes that the new peace initiatives in Israel and Palestine will moderate this often noisy anti-Semitic "front", still strong among Youth, Women's, Trade Unions and Left of Centre/Communists organisations or individuals inside SWAPO. A recent (2002) document from the Palestinian National Authority (PNA) lists "friends of the cause" in Namibia, and includes in this list of luminaries: Netumbo Ndaitwah, P. Ivula-Ithana, Hinyangerwa Asheeke, Claudia Uushona, Martin Andjaba, a "Prof. Katjavivii", Leon Lifuntu, Kaire Mbuende, Mose Titjendero, Hileni Hilonga, Theo Guriab, Dimo Amambo, etc. The Swapo Party Youth League (SPYL) faction is seen by the PNA as a strong political ally.

5.10 LEVIEV'S REGIONAL STRATEGY

As alluded to earlier, Leviev's ultimate objective is to displace De Beers to become the biggest player in the region. Botswana is the end objective given its preeminent position as the world's largest diamond producer. Part of Leviev's strategy is to show good will in the countries he operates in. In both Angola and Namibia he has made considerable but careful investments in both the production and the polishing side. He is hoping that pressure from the governments of Namibia, Angola and even South Africa will be brought to bear on Botswana to free up its diamond market to other entrants.

6. THE RUSSIANS IN NAMIBIA

While Namibian gems have never been high on the Russian agenda, particularly with Alrosa, given its agreements with De Beers in Russia, Russian political and economic interests are nevertheless well connected to the local political elites. This remains a legacy to the heyday of the liberation struggle when Moscow was the source of much of Swapo's ideological, monetary and propaganda support systems.

There is for all intents and purposes a Russian "fifth column" of Namibian sympathizers, agents of influence and even agents themselves that are Moscow's

and to a lesser extent Alrosa's "listening posts" in the ruling party. Most importantly former foreign minister Hadipo Hamutenya and the PLAN cadre and command elements both in government and the military are the Russian mainstay of influence and contact in Namibia. Other key supporters of the Russian cause in Namibia include Ben Amathilia (speaker, national assembly); Jesaya Nyamu; Hifikepunye Pohamba (president elect); and Prime Minister Andimba Toivo ya Toivo. [See Appendix II for fuller list of "agents of influence".]

6.1 ALROSA'S NAMIBIAN CONNECTIONS

Preliminary feedback from one source is that Alrosa managers say they have direct access to former president Nujoma, as well as to Marten Kapewasha, the present ambassador in Moscow and the present Minister of Mines, Nicky Iyambo. They did not mention Kennedy Hamutenya, however. One Alrosa contact indicated that Nujoma could well become a lobbyist for the company and other firms, when he retires. More information is being awaited.

Comment: The Russian connection in Namibia is stronger than Leviev's, which may be useful to De Beers in contemplating some sort of "loose alliance" with Alrosa in the country to blunt the inroads being made by Leviev. **It may also be utilised as a avenue for De Beers to develop a partnership with Alrosa in Namibia which might pave the way for a potential Russian JV mining agreement.**

6.2 ENTER NIKOLAY KURUSHKIN

Although Soviet archives of the era are still largely classified and off-limits to investigators, it is generally well known that the USSR lent a substantial hand of assistance to Swapo during the liberation struggle, including the intelligence and military-ideological training of selected cadres (from Leningrad to Odessa, from Moscow to Kiev), economic assistance and the supply of "advisers".

One such special agent was Lieutenant General Nikolay Kurushkin, decorated as a hero of the new Namibian state, who was once designated by the Kremlin - back in the early 1980s - as co-ordinator for defence matters at Sam Nujoma's operational headquarters in Lubango, Huila province (4th Military region) in Angola.

Given the fact that Kuruskin was previously part of PLAN-GRU (Soviet Military Intelligence) liaison structures, the ascendancy of the SVR under Putin, has diminished his influence somewhat with Russia, especially with the emerging new Russian entrepreneurs in Moscow and St. Petesburg. But he still has direct access to ex-president Nujoma, and along with the wife of the Russian Federation ambassador, Natalia Shumskiy, runs the very important "*Slavic Club*" in Windhoek, headed since 2002 by the more active and better (Russian) connected Andrei Sladkov (*NB: photos available, if needed*). Utoni Nujoma, acts as a communications courier between his father Sam Nujoma and Kuruskin, for messages to be relayed back to Russian interests. Another key link-man is Toiva-ya-Toiva.

6.3 THE ROLE OF ANDREI SLADKOV

Sladkov is a Russian businessman born in Tver, seen by certain analysts as having close ties with both the Russian SVR and GRU, and also to the mythical "Russian Military Brotherhood". According to informed sources in Namibia, he has been connected to Russian projects in Namibia at least since 2000, starting with the "*Anchor Fishing Company*". He is also the SVR contact/middleman between assorted Slavs from various nationalities and Moscow.

Head of the Slavic Club (whose motto is "Trust and Act", he enjoys ample business and conference facilities in 181 Independence Av., Windhoek, Gathemann Bldg., 2nd Floor) that tries to connect and involve all Christian Orthodox communities from Central and Eastern Europe not only in Namibia but Southern Africa, from Ukrainians and Russians to Yugoslavs and Rumanians, etc. The Slavic Club acts as a type of clearing house or locale for Slavs coming in from Eastern Europe and Russia.

More important, he is the local head of a nucleus of companies, including the Slavic Group International Investment Corporation (IT, Tourism, General Investment, Industry Consulting, Finance and Commercial Banking consulting, etc), and subsidiaries Tornado, North West Soft Computer Co., and also, with another Russian, main investor/shareholder in REMAX Real Estate Centre, Namibia. The Centre has as local CEO another Russian, Nikolai Kotcharov, who is also the SVR resident in Windhoek, and another senior executive Cliff Shillington.

RE/MAX Namibia is an authorised agent of the US company, headed by Dave Liniger. Regional officials for the South African and Namibian operations are Peter Gilmour and Bruce Swain, who have to deal in a regular basis with this "Russian nucleus".

Another person involved in the Slavic Club, as patron and "ideological chief strategist" (Sladkov's words to a source), is Montenegro-born Yugoslav businessman Dusan Vasiljevic, who is also very well connected in Moscow, and to Alosa sources. Also very close also to Sam Nujoma, he is a Melbourne trained lawyer, the CEO of Assenkher Farms and Navico, who claims he employs 20 percent of the Namibia's agriculture workers and has as his end objective, the takeover of the country's grape and wine industry.

Indications are that Sladkov was involved in certain stages of the negotiations leading up to the creation of Arsan Mining - the Alosa/Namibian diamond project, and that he is also used by Alosa on certain occasions for business activities in Namibia.

6.4 OTHER RUSSIAN ECONOMIC INTERESTS

On 1 April 1998, Russia and Namibia signed an agreement with Moscow on diamond prospecting, mining and cutting operations in Namibia. The agreement ostensibly gave Russian businesses new and direct access to potentially large diamond deposits in the region. It was also proposed that Russian professionals help Namibia establish a national cutting industry and would train up Namibian diamond-cutters.

One of the first concrete results of the agreement, was the formation of a 50/50 joint venture known as Arsan Mining, involving Alosa and the Namibian government. However, since the signing of the deal, there has been no movement both on the mining and the cutting side, despite high ranking visits to Windhoek by high ranking politicians (Anatoly Klimenko and Prime Minister Ivanov) and Alosa officials since then. A joint venture was also entered into between Arsan and Namco but fell away with the latter's liquidation and was not renewed by Samicor.

For the moment, however, Alosa lacks sufficient funds for any large scale Namibian operation, concentrating most of its southern African efforts on its Angolan investments at Catoca. Alosa saw the Namibian venture as a sort of "Plan B" option if security broke down completely in Angola due to the civil war, that may have required a strategic withdrawal from the country. Instead the killing of Savimbi in

February 2002 and the peace agreement signed in April 2002, diminished the importance of the Arsan project.

Although Namibia is not out of the picture completely, Alrosa's engagement with Namibia will be increasingly driven by business rather than political considerations. For the moment, Alrosa's immediate priority over the next two years is the modernisation of its mining operations in Yakutia and Archangelsk, and especially overseas in Angola – the latter linked specifically to the protracted and ongoing negotiations between Russia and Luanda, on ways to resolve Angola's debt to Moscow and pave the way for Russian businessmen to participate in the country's national reconstruction.

Alrosa is evolving a deliberate and ambitious long-term strategy looking forward to 2020. It was essentially devised by the new Kremlin backed strongman, manager Alexander Nichiporuk, a new generation economist that took over as CEO of the company in December last year.

6.5 RELATIONS BETWEEN ALROSA AND LEVIEV

As has been noted in previous reports, relations between Alrosa and Leviev in the region are at best cordial and have very little in common. A couple of years ago, in reaction to stories that surfaced about Ascorp's involvement in diamond smuggling, and about "general discontent" in Angola over the low prices being paid by the monopoly, Lev Leviev gathered his top advisors in Israel, and the prevailing theory that emerged at the meeting was that the new Alrosa direction could be partly responsible for the "black propaganda" being waged against Ascorp. There was even the suggestion that Alrosa's main man in Angola, Sergey Panchenkin, was the source of at least "70 percent" of this misinformation.

Today, Leviev still complains of intrigue against his operations in Russia, possibly promoted by Alrosa, and it seems he does not quite have the ready access he used to with President Putin. Nevertheless his role in bringing Russia and Israel closer together in a common front against "Islamic fundamentalism", and his good relations with Sharon, do count for something.

Leviev's people in Moscow continue to say that Alrosa strangles the stream of gems for its cutting and polishing operations in Russia, and has different aims in Angola, as he is effectively a competitor of Alrosa.

7. FUTURE DEVELOPMENTS

Given the importance of the diamond mining industry to the Namibian economy, sudden de-regulation is not an option, but there will be moves to attract related or ancillary investment to the country's one-dimensional mining structure. Recent proposals being discussed by the ministries of Mining, Trade, Tourism, the Presidential office and relevant economic organs, insist on a series of measures to complement the present state of affairs. These could include the following:

- The development of diamond tourism (a strong favourite of both Alrosa and De Beers) and related leisure activities.

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- Privatising Namdeb, or making it totally state owned, instead of the current hybrid 50-50 ratio, in order to maximise profits and clarify its legal status, internally and internationally.
- Establishing a "Namibian" quality diamond brand (with or without laser marks), to market internationally. This will suit Leviev.
- Establish a research "university" for synthetic diamonds.
- Attract more investors in the cutting-polishing industries.
- Greater specialisation in maritime diamond mining, with a simultaneous development of ecological concerns and image.
- Develop an autonomous jewellery/design/marketing industry (also Leviev seems to have proposals in arms way).
- Proposing a more integrated diamond economic corporate mechanisms for SADC.
- "Normalising" diamond relations with Angola. Pohamba is said to be closer to Luanda than Nujoma.

APPENDIX I

CONFIDENTIAL

RUSSIAN AGENTS OF INFLUENCE IN NAMIBIA

Information has been gleaned from Namibian and Russian sources. The list includes previous or current agents where indicated, and close "comrades".

Ben Amathilia (speaker, National Assembly)

National Assembly since 1990.

1993 – 2000 Minister Information & Broadcasting.

1990 – 1993 Minister trade and Industry.

1989 Swakopmund election campaign head

1976 – 1989 Swapo secretary for Economics; PLAN Lubango base Angola.

1971 – 1976 Swapo representative in Nordic and Scandinavia.

Edle Amakongo (senior diplomat)

USSR agent

2000 – ambassador in DRC, Gabon and Republic Congo.

1994 – 1996 Secretary to the Cabinet.

1990 – 1994 Permanent secretary tot eh office of the President (Nujoma).

1976 – 1980 Swapo broadcaster, Voice of Namibia in Brazzaville.

1970 – 1971 Clerk in Bantu education department Ovambo.

1951 – 1954 Cattle herder.

Moses Amweelo

National Assembly since 2000.

USSR agent

2000 – Minister of Works, Transport and Communication.

1992 – 2000 Inspector in department of Labour.

1986 – 1987 Swapo head of transport in Angola.

1982 – 1985 engineer training in Cairo.

Nahas Angula

National Assembly since 1990

Russophile

1992 – 2000 Minister of Education.

1982 – 1989 Swapo secretary for education in Zambia.

1976 – 1982 UN employee New York City.

Jerry Ekandjo

National Assembly since 1990

USSR agent

1995 – Minister of Home Affairs.

1990 – 1995 deputy Minister of Local government and Housing.

1987 – 1988 Swapo (internal) secretary for information and publicity.

1974 – 1981 imprisoned on Robben Island, South Africa.

1969 – 1973 Swapo firebrand.

Johnny Hakaye

National Council since 1993

Russophile

1991 – 1993 Swapo district coordinator in Okalongo.

1986 – 1991 Swapo youth representative in southern, eastern and central Africa.

1983 – 1984 Swapo health administrator in Zambia.

1977 – 1980 PLAN political commissar, Lubango, Angola.

Hidipo Hamutenya

National Assembly since 1990

USSR agent

2002 – 2004 Minister of Foreign affairs.

1993 – 2002 Minister of Trade & Industry.

1990 – 1993 Minister of Information and broadcasting.

1981 – 1991 Swapo secretary for information and publicity.

1976 – 1981 UN Institute for Namibia (Lusaka, Zambia).

1974 – 1976 Swapo secretary for education.

1962 – 1972 Swapo representative to the Americas.

1963 worker Swapo office in Cairo.

Petrus Ilonga

National Assembly since 1995

USSR agent (military training 1974 – 1976 Taskent)

2000 – minister environment and tourism.

1978 – 1985 prisoner Robben island, South Africa.

1974 worked at government garage in Ovambo, northern Namibia.

1972 – 1973 teacher at high school.

1966 farm worker in Grootfontein, northern Namibia.

Nickey Iyambo

National Assembly since 1990.

USSR-phile.

2002 – Minister of Mines and Energy Affairs.

1996 – 2002 Minister of regional, local government and social services.

1989 head of Swapo/UN liaison office.

1985 – 1989 head Swapo medical services Angola (Kwanza Sul).

1981 – 1985 head of PLAN health services

1970 – 1972 Swapo secretary for education and culture.

1967 – 1972 Swapo representative to Nordic countries.

1962 – 1963 first black postmaster in Namibia.

Marten Kapewasha

National Council 1993 – 1999.

USSR-Russia: 2003 diploma in security, defence, law enforcement: Mikhail Lomonosov academy, Moscow.

1999 – ambassador to Russia.

1996 – 1999 minister Lands, settlement and rehabilitation.

1991 – 1992 worker in Swapo Youth offices, liaison with ANC Youth league (Rapu Molukane: South African ambassador to Moscow) and Winnie Mandela.

1973 – 1981 prisoner Robben island, South Africa.

1972 worker in minerals exploration company in Windhoek.

1971 petrol pump attendant in Walvis Bay.

Paulus Kapia

Russ-ophile

1997 – Secretary Swapo Youth league.

1993 – 1998 regional councilor for Swapo in Oshana region.

1991 field worker for Swapo in Ekeke, Oshana.

Clemens KASHUUPULWA
Regional Councillor 1993 -
USSR agent

1991 governor Oshana region. 1991 – 1992 regional reporter for Swapo paper, *Namibia Today*.
1988 – 1989 PLAN combatant, Angola. 1986 – 1987 reporter for PLAN paper *The Combatant*.
1980 – 1982 PLAN political commissar.
1978 – 1979 Swapo health administrator with UNITA in southern Angola.
1975 – 1977 PLAN Combatant.
1972 – 1975 clerk in Oranjemund.

Philemon Malima

National Assembly since 1990
USSR-agent: diploma institute of social sciences Moscow (1980 – 1981); Certificate, Higher Officer's Course, Military Academy Simferopol USSR (1977 – 1978).
1997 – minister Environment and Tourism.
1995 – 1997 Minister of Defence.
1987 – 1989 Swapo representative to USSR.
1974 – 1986 deputy political commissar of PLAN.

Peya Mushelenga

2000 Swapo Youth League secretary for international affairs.
2002 – deputy company secretary at NamPower
1998 – 2000 executive assistant to MD at NamPower.

Charles Namoloh

Diplomat
USSR 1982 Vystrel Military academy.
1974 – 1975 detachment commander course.
2003 – High Commissioner to India.
1995 – 2003 Ambassador to Angola.
1990 – 1995 Chief of Staff, Namibian Defence Force (Major General).
1979 – 1989 PLAN Chief of Staff.
1977 – 1979 PLAN chief of staff for north eastern front.
1975 – 1979 PLAN combatant.

Phillemon Ndjambula

National Council since 1999
1989 Swapo chief mobilization, Ondangwa, northern Namibia.
1979 – 1989 PLAN combatant.

Erkki Nghimtina

National Assembly
USSR 1985 electronic warfare course Moscow.
1997 – Minister of Defence.
1990 – 1995 Assistant Director of Communications in Namibian Defence Force.
1979 – 1989 PLAN supervisor of communications Lubango, Huila, Angola.
1977 – 1979 supervisor communications (eastern front: Zambia).
1976 – 1977 PLAN communications supervisor, Zambia (Oshatotwa).
1972 – 1973 Clerk Consolidated Diamond Mines.
1970 – 1972 Clerk at Oshakati wholesalers (northern Namibia).

Elijah Ngurare

National Assembly

Swapo Youth league Secretary for Information, Publicity and Information.

Jesaya Nyamu

National Assembly since 1991

USSR 1983 postgrad diploma in economic planning, Moscow.

2002 – Minister of Trade and Industry.

1999 – 2002 Deputy Minister of Mines and Energy Affairs.

1990 – 1991 undersecretary, ministry foreign affairs

1989 – 1991 Swapo chief representative to Angola.

1987 – 1989 Swapo assistant to the Secretary General.

1985 – 1986 Swapo chief representative to Zimbabwe.

1980 – 1985 Swapo chief representative to Ethiopia.

1976 – 1980 Swapo deputy secretary for Information and Publicity.

1973 – 1976 Swapo chief representative to Tanzania.

1971 – 1973 Swapo chief representative to Zambia.

1970 Swapo Political secretary.

1970 Announcer external service of Radio Tanzania.

Hifikepunye Pohamba (president elect)

National Assembly since 1990

2002 – Swapo Vice President.

1997 – 2002 Swapo Secretary General.

2001 - Minister of Lands, resettlement, Rehabilitation.

1998 – 2000 Minister without Portfolio.

1995 – 1998 Minister Fisheries & Marine resources.

1989 – 1990 Member Constituent Assembly.

1989 – 1990 Head Administration for Swapo General Election Campaign.

1977 – 1989 Swapo Secretary for Finance.

1982 – 1989 worked Swapo headquarters in exile (Zambia).

1978 – 1981 head Swapo military (PLAN) operations in Zambia.

1972 – 1977 Swapo Chief representative in east Africa.

1970 – 1973 Swapo deputy chief representative in North Africa (Cairo).

1964 opened Swapo office in Zambia (deputy Chief representative).

1956 – 1960 mineworker at TCL mine Tsumeb.

Victor Simunja

National Assembly

2000 Deputy Minister Defence.

1982 training combined arms officer Vystrel Academy Moscow, USSR.

1980 Artillery Commander Angola.

1992 – 1993 Leavenworth Kansas, USA: staff course.

Andimba Toivo ya Toivo

National Assembly

2002 – Minister of Prisons and Correctional Services.

1999 – 2002 Minister of Labour.

1990 – 1999 Minister of Mines and Energy Affairs.

1990 Member of National Assembly.

1989 – 1990 Member Constituent Assembly.

1984 – 1991 Swapo Secretary General.

1966 arrested under South African Terrorism laws.

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1968 sentenced to 20 years for terrorism and sedition.
1960 – 1966 Swapo regional Secretary in Ovambo.
1957 - Established Ovambo Peoples' Organization in Cape Town with South African Communists Jack Simons, Sonia and Brian Bunting.
1954 – 1958 worker furnisher shop in Cape Town.
1952 – 1953 Policeman on South African Railways.
1951 – 1952 teacher in missionary school
1945 contract farm worker.
1943 – 1945 served as member of South African military in WWII.

Noah Tuhadeleni

National Council 1999 -
USSR agent: diploma & certificate Political economy, higher Party School, Havana, Cuba.
1986 – 1989 organizer at Swapo medical & education center, Kwanza Sul, Angola.

Henock Ya Kasita

National Assembly since 1990
USSR agent
2003 deputy minister Mines and Energy affairs.
1994 – 2003 Swapo chief whip in National Council (upper house).
1989 – 1990 Swapo organizer in Grootfontein.
1986 – 1988 principal (junior/secondary schools) Isle of Youth, Cuba.
1983 – 1985 Swapo deputy secretary for youth in Cuba.
1981 – 1983 PLAN military instructor.
1980 – 1981 PLAN detachment (north-west front) political commissar.

APPENDIX II

Lev Leviev Group, Samicor, LLD Diamonds Namibian Corporate Structure

