

SOVEREIGNTY AND DIAMONDS IN SOUTHERN AFRICA, 1908-1920

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In 1907 the German colonial army, wrapping up its genocide of Nama and Herero peoples in Southwest Africa, generally counted the Namib Desert as more trouble than it was worth. So did the German people and government, for that matter. In Summer 1908, however, a group of workers laying railway track in the Namib found diamonds lying in the sand.¹ In short order, the Namib became the richest diamond find in history: the home to an estimated 1.6 billion carats of rough stones, or about the equivalent of the entire amount extracted in human history prior to the twentieth century.² Germany, and its much ballyhooed overseas empire, appeared to have won the lottery.

Mania promptly gripped the stock exchange in Berlin. In mere months, traders drove up share prices of German diamond companies, and even some colonial companies that had no diamond business, by as much as 2000%.³ One astonished consultant, after inspecting the Namibian fields, assured the bankers backing large diamond miners that they could comfortably expect billions of marks in exchange for virtually no effort.⁴ This projection was staggering, given that, at this time, Germany's entire bank capital totaled 13.6 billion marks.⁵ It was also correct.

The problem was that the Namib was no conventional open-pit mine – à la Kimberley, South Africa – but a gigantic sandbox. Diamonds in the Namib could easily be picked up by hand.⁶ Ownership and control, accordingly, were concerns in need of resolution. And yet, according to the

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1. See OLGA LEVINSON, DIAMONDS IN THE DESERT 28 (1983).
2. See PERCY A. WAGNER, DIE DIAMANTFÜHRENDEN GESTEINE SÜDAFRIKAS 206 (1909).
3. SIEGFRIED WOLFF, DAS GRÜNDUNGSGESCHÄFT IM DEUTSCHEN BANKGEWERBE 202 (1915).
4. Letter from Carl Weiss to Rudolf von Bennigsen Jr., (Feb. 15, 1909) (on file with the German Federal Archive, Berlin).
5. Here I have extrapolated from the data in KEN POST, REVOLUTION AND THE EUROPEAN EXPERIENCE 1780-1914 125 (1999).
6. WILHELM VON HUMBOLDT-DACHROEDEN, DIE DEUTSCHE DIAMANTENPOLITIK 31 (1915).

original treaties that underpinned German colonialism in Southwest Africa, some sovereign rights over the diamond fields lay with a colonial company – the *Deutsche Kolonialgesellschaft für Südwestafrika* – rather than with the German state proper.⁷ The German state had been meaning to buy out this colonial company in early 1908, more or less contemporaneously with Belgium's purchase of Leopold II's privately held sovereign rights in the Congo.⁸ But the diamond discoveries in the Namib changed everything. Now, by virtue of its ownership of sovereign rights, the *Kolonialgesellschaft* intended to stand pat and collect major annual rents from the diamond boom. Each new mining business was to pay royalties to the *Kolonialgesellschaft*.⁹ Moreover, because the *Kolonialgesellschaft* had the “sovereign right” to control mining permits, it could and did regulate operations such that only large mining companies owned by large German banks – whose ranks, conveniently, made up the *Kolonialgesellschaft*'s main shareholders – succeeded. Finally, the *Kolonialgesellschaft* watched its own shares skyrocket in value and surreptitiously began cashing in on the difference, though without selling off a majority stake.¹⁰

Amidst this backdrop, the nature of diamonds' commodification also left the German Colonial Minister, Bernhard Dernburg with a business dilemma. Prior to 1908 the world diamond market ran almost exclusively through De Beers. Thanks to its tight grip on the mines of South Africa, then the world's only significant source of diamonds, De Beers set the conditions for the sale of rough stones; as important, they periodically dumped stockpiled stones to ruin the price for rivals who dared to sell rough stones outside the De Beers cartel.¹¹ Colonial Minister Dernburg reckoned that in order to thwart this cartel and monetize its newfound mineral wealth Germany would have to rely on the capital of German banks. Germany

7. Übersicht der Verträge, durch welche die Deutsche Kolonialgesellschaft für Südwestafrika Landbesitz und sonstige Rechte in der südafrikanischen Kolonie erworben hat (Mar. 1, 1888) (on file with the German Federal Archives, Berlin)

8. Vereinbarung zwischen der Deutschen Kolonialgesellschaft für Südwest-Afrika und dem Reichskolonialamt zur Uebernahme der Bergverordnung vom 8. Aug. 1905 hinsichtlich ihrer sämtlichen Bergwerksgerchtsame vom 17. Feb./2. April 1908 (Sogenannter Bergrezess) (on file with the German Federal Archive, Berlin).

9. Kolonialgesellschaft für SWA to Dernburg (Jan. 26 and 31, 1910) (on file with the German Federal Archive, Berlin).

10. *Verkehr für Kolonial-Werte*, DER KOLONIAL-COURIER (BEILAGE DES BERLINER BÖRSEN-COURIER), Jan. 19, 1909. *Die Spekulation in Kolonial-Werten*, FRANKFURTER ZEITUNG, Feb. 5, 1909 Bericht des Regierungskommissars Fischer vom (Sept. 29, 1910) (on file with the German Federal Archive, Berlin).

11. See COLIN NEWBURY, THE DIAMOND RING 134-44 (1989).

would also need to placate those same banks in order to get them to fund systematic extraction of the diamonds from the Namib Desert.¹²

The large German banks' shareholders, as mentioned, heavily overlapped with those of the *Kolonialgesellschaft*. As mentioned, too, sovereign rights held by the *Kolonialgesellschaft* appeared to make it an equal negotiating partner to the German government proper when it came to mining policy. And so it was that in 1908, almost as soon as the diamond discoveries made headlines, Dernburg issued several decrees: first, to criminalize all unauthorized diamond possession in Southwest Africa; second, to seal off all civilian access to the desert in which the diamond wealth rested; third, to force all diamond miners, big or small, to channel any rough stones they found through yet another new organization set up by the large German banks, the *Diamanten-Regie*.¹³ The *Diamanten-Regie* would charge every submission a fee. In return, it would work with retailers in places like Antwerp and New York to offload the German stones in bulk, at steady prices, limiting output in accordance with retail demand. If De Beers tried to interfere, the idea was that German banks had plenty of capital to weather the storm. In particular, German banks could leverage their clout in Belgium to get good prices on the stones' cutting – something independent, small-time Germans likely could not manage.¹⁴

From a sheer business standpoint, this arrangement seemed logical, recognizing as it did the nature of the De Beers cartel and the realities of German colonialism's dependency on large banks. But colonialism was about *culture*, too. Dernburg's decrees infuriated many European aspirants in Southwest Africa, including thousands of new emigrants to the Namib desert hoping to make a fortune. The small European settler had little hope of striking it rich in Dernburg's colonial system, having been left largely without access to the diamond boom. Adjacent to this camp were farmers, ranchers, ex-military, and the like, who looked to colonial mineral wealth -- finally in view, after decades of disappointment -- to improve their lots. Such improvement might take the form of help in mitigating droughts killing crops; better still, it might entail spending on water infrastructure – then seen as a life-and-death issue for the small European settler in Southwest Africa.¹⁵

12. Memorandum from Bernhard Dernburg. (Apr. 30, 1909) (on file with the German Federal Archive, Berlin)

13. See Dernburg's Decree (Nov. 27, 1909) (on file with the German Federal Archive, Berlin); Wilhelm Charles Regendanz, "Die Diamantenregie (I)," *Koloniale Rundschau* 238 (1910).

14. Letter from German Colonial Office to German Foreign Office (Apr. 2, 1913) (on file with the German Federal Archive, Berlin).

15. Oberstleutnant Gallus, *Die Diamantvorkommen in Deutsch-Südwestafrika und ihre Bedeutung für das Schutzgebiet*, *Zeitschrift für Kolonialpolitik, Kolonialrecht und Kolonialwirtschaft* 41 (1910).

Over the next several years, a big-tent camp dissented from Dernburg's policy. Elite private parties and bankers, it was alleged, did not deserve the lion's share of diamond money; and yet, they were making enormous profits on several levels. The elites controlled, first, the *Kolonialgesellschaft*; second, the new German diamond mining companies the *Kolonialgesellschaft* was setting up (thanks to control of mining permits); and third, the *Diamanten-Regie*.¹⁶ For their part, German politicians in parliament largely shared the outrage. They argued that German taxpayers and colonial settlers had earned a bigger cut of the diamond money: both through massive expenditures on railroads and colonial infrastructure starting in the 1890s and through the blood German soldiers shed in the course of slaughtering the Nama and Herero between 1904 and 1907, just before the diamonds popped up on official radar. A majority in parliament therefore proceeded to rail against the *Kolonialgesellschaft*, whose sovereign rights strangely lingered past 1908 and into the heyday of the German diamond industry. The *Kolonialgesellschaft* looked like root of a social evil, in this view, for upon its "sovereign rights" rested a foundational impediment to nationalization of the diamond business and a more equitable distribution of the Namib diamond wealth.¹⁷

To Colonial Secretary Dernburg, this criticism was foolish: there was, he reminded parliament, no way to get around the company's wishing to hold onto its sovereign rights – even if those same rights had grown infinitely more valuable since the diamond finds in 1908. Of course, some opponents in parliament questioned Dernburg's notion that a company could occupy this status.¹⁸ His position was arguably most consistent with the rule of law, as it had become clear by the end of the nineteenth century that the obligations and privileges associated with statehood could be owned by private parties as well as the public. Leopold's Congo venture furnished a recent example¹⁹ as did the annals of German colonialism.

In 1885, one Adolf Lüderitz, a Bremen merchant celebrated as the founder of the German colony in Southwest Africa, sold all his property in the Namib to the *Kolonialgesellschaft*. Unfortunately, no one quite knew what that property entailed. Lüderitz had made his name on the strength of two contracts produced with a Nama chief, Josef Frederiks, in 1883. The

16. See MATTHIAS ERZBERGER, MILLIONENGESCHENKE 30-43 (1910).

17. *Koloniale Rundschau: Millionengeschenke und Millionenverluste!*, Nord und Süd, 127 (1912).

18. W. Hahn, *Abänderung der bergrechtlichen Bestimmungen für Deutsch-Südwestafrika, Verhandlungen des Deutschen Kolonialkongresses 1910: zu Berlin am 6., 7. und 8. Oktober 1910* (Berlin: Reimer, 1910) 516.

19. See ANDREW FITZMAURICE, SOVEREIGNTY, PROPERTY AND EMPIRE, 1500-2000 (Cambridge University Press, 2014).

contracts were more or less legitimate sales of land made with the informed consent of Frederiks, then at war with Herero to the north. Lüderitz, though, fraudulently edited the contracts and aggrandized his claims in Europe, to the point that the contracts became ‘treaties’ and the sale of land became the sale of Frederiks’ ‘sovereign rights’ over a portion of a ‘kingdom’. For a variety of domestic and foreign-policy reasons, German Chancellor Bismarck chose to embrace Lüderitz’s generous interpretation and to see it endorsed by other European powers at the Berlin Conference in 1884-85 – the very moment when Leopold II, George Goldie, and other European businessmen won recognition for their own privately held sovereign rights in Africa. Lüderitz was henceforth to stand as the sovereign ruler, on paper, of ‘Lüderitzland,’ with Lüderitzland existing in a sort of confederal relationship to the German Empire proper.²⁰

In 1885, Bismarck went on to recognize a series of private colonial regimes based on Lüderitz’s model, not just in Southwest Africa, but in Cameroon, Togo, New Guinea, and East Africa. Each place was, in theory, supposed to be run by German companies or individuals like Lüderitz, who would hold most sovereign rights (*Landeshoheit*) after buying them from indigenous polities. This system would emerge with only the smallest of contributions and oversight from Germany proper, who received a titular sovereign right (*Oberhoheit*) either via transfer from the German private parties or, more rarely, from the indigenous polities themselves. Over time, the private German sovereigns proved unwilling or incapable with regard to governing. Hence, Bismarck’s “system” underwent repeated adjustments. In Southwest Africa, for instance, Germany initially announced that it would share sovereign rights with a company run by Lüderitz -- not just in the Namib, but across a much larger area in which Germany had signed ‘protection’ treaties with native tribes like the Herero. Such an arrangement never got off the ground. In fact, it did not even take hold in the former ‘Lüderitzland,’ where the inheritors of Lüderitz’s estate, the *Kolonialgesellschaft*, bowed out and mostly chose to say Germany owned all sovereign rights.²¹

This early vacillation seemed to confirm the complaints of prominent skeptics who counseled against leaving sovereign rights in the hands of private parties. Alas, the trend continued. In 1888, when salted fields led

20. See STEVEN PRESS, *ROGUE EMPIRES: CONTRACTS AND CONMEN IN EUROPE’S SCRAMBLE FOR AFRICA* 131-219 (Harvard University Press, 2017).

21. Letter from Kolonialgesellschaft für SWA to German Foreign Office (Feb. 16, 1887) (on file with the German Federal Archive, Berlin). CURT VON FRANÇOIS, *DEUTSCH-SÜDWESTAFRIKA: GESCHICHTE DER KOLONISATION BIS ZUM AUSBRUCH DES KRIEGES MIT WITBOOI* 20 (Berlin: Reimer, 1899). “Dernburgs Studienreise durch Britisch- und Deutsch-Südafrika,” *Deutsche Kolonialzeitung*, vol. 25, no. 35, 629 (Berlin: Deutsche Kolonialgesellschaft, 1908).

speculators to think a gold rush was on in the Namib desert, Germany, eager to help the *Kolonialgesellschaft* attract investors at home, issued a proclamation declaring that the *Kolonialgesellschaft* still owned the sovereign right to adjudicate – without oversight from the German state or its colonial authorities proper -- all matters related to mining in the entire area of Southwest Africa.²² Then, only one year later, Germany's position underwent a second modification.²³ Now Germany said the scope of the *Kolonialgesellschaft's* 'mining sovereignty' was limited to the Southern Namib itself – specifically, the area for which Lüderitz had signed one of his 'treaties' with Frederiks in 1883.

In 1908, the equation changed yet again. When a Thuringian railway foreman – or rather, his Cape-born African servant – identified diamonds along some railroad tracks, the find lay directly, on paper, in the midst of the *Kolonialgesellschaft's* territory -- the original Lüderitzland. Now the powers behind the *Kolonialgesellschaft* – many of them heavy-hitter executives at large banks – lobbied the German government to reaffirm their sovereign right over mining in order that they might keep smugglers and De Beers away from an incipient diamond boom.²⁴ Over the objections of a parliamentary majority, the German cabinet's Colonial Ministry not only complied but also went so far as to help the *Kolonialgesellschaft* fence off most of the Southern Namib and implement a prohibition on unauthorized entry. The *Kolonialgesellschaft's* territory now became the 'Forbidden Diamond Zone' (*Diamantensperrgebiet*). Inside it, according to the German government, mining could occur only with the *Kolonialgesellschaft's* permission.

One might easily liken this series of moves to *Opéra bouffe*. But where it left the area's day-to-day governance and jurisdiction proved a deadly serious question, not least because around 6,000 African workers consistently populated the area.²⁵ Starting in 1908, Germany treated the Forbidden Diamond Zone as if it were the *Kolonialgesellschaft's* own state: one that matched up with the precise coordinates into which Lüderitz had

22. With a decree of 25 March 1888, the Reich recognized that the *Kolonialgesellschaft* held these rights and could administer all mining matters. NAN BBL 5, A7, vol. 1 (on file with the Namibian National Archive, Windhoek).

23. According to a decree issued on August 15, 1889, the *Kolonialgesellschaft* transferred to the government the "administrative rights in connection with mining." NAN BBL, 5, A7, vol. 1, Foreign Office to Frielinghaus (Feb. 22, 1890) (on file with the Namibian National Archive, Windhoek).

24. Letter from *Kolonialgesellschaft für SWA* to Dernburg (Jan. 26, 2010) (on file with the German Federal Archive, Berlin).

25. Ernest Oppenheimer and Alpheus F. Williams, *Diamond Deposits of German South West Africa*, 13 (Kimberley 1914). This report was printed "for private circulation only" and given to a few directors of De Beers. Original contained in National Archives of Namibia, Windhoek, NAN, PB/0132.

once aimed to place his would-be state under loose German ‘protection’ (*Oberhoheit*). On several occasions German colonial bureaucrats sniffed around the Forbidden Diamond Zone, eager to investigate a complaint about labor abuses, theft, or tax evasion. Surprisingly, however, the bureaucrats found themselves in the rather curious position of having to defer to *Kolonialgesellschaft* officials in matters of local law enforcement.²⁶ Back in Berlin, Germany proper insisted that it wished to respect the *Kolonialgesellschaft*’s rights, and that the *Kolonialgesellschaft* could generally interpret its right of ‘mining sovereignty’ as encompassing any number of matters vaguely connected to mining. For the time being, lawyers for the *Kolonialgesellschaft* successfully argued that these matters included policing of criminal activity, worker health, taxation, and the like.²⁷

Naturally, such a dynamic did not appeal to many members of the German parliament, which remained displeased with the apparently disproportionate amount of diamond revenue flowing into the coffers of the *Kolonialgesellschaft*. Yes, the *Kolonialgesellschaft* paid some taxes on earnings, on account of its being incorporated inside Germany. But that was not a sufficient reason to let the *Kolonialgesellschaft* and the large banks behind it keep the rest of the diamond profits – or, most pressingly, to let them monopolize the booming diamond trade by keeping almost everyone else out of the desert. In 1910, in an effort to quiet the parliamentary and public perception that Germany had given away ‘million-dollar gifts’ in Southwest Africa to the *Kolonialgesellschaft*, Germany tried to reach a new written agreement with the *Kolonialgesellschaft*. Crucially, the negotiations centered not on a public-private contract, but on a treaty between sovereign equals. In exchange for indefinite preservation of the Forbidden Diamond Zone and Dernburg’s policies, the *Kolonialgesellschaft* offered to cede its mining sovereignty to Germany. Germany would also share in half of the profits moving forward.²⁸

How these negotiations failed, and what kind of fallout ensued, are subjects of this author’s ongoing research. For now, suffice it to say that the Namib diamond story in Southwest Africa was part of an under-analyzed, global chapter in the era of New Imperialism: the liquidation – often incomplete – of privately held sovereign rights in colonial settings. I have

26. Hermann Tönges’ Report, October 31, 1912, Namibian State Archives, Windhoek, NAN ZBU 2063, W.IV.f.2. District Office at Lüderitzbucht to Imperial Government at Windhoek, June 6th, 1913, NAN, Zentralbureau des Kaiserlichen Gouvernements Windhuk, W.III.R.2. Bd. 1, Bl. 169a-170b.

27. See EGON FREIHERR VON DALWIGK ZU LICHTENFELS, DERNBURGS AMTLICHE TÄTIGKEIT IM ALLGEMEINEN UND SEINE EINGEBORENENPOLITIK IN DEUTSCH-OSTAFRIKA IM BESONDEREN (Reimer, 1911), 12.

28. Letter from Dernburg to Schuckmann, June 6, 1910 (on file with the German Federal Archive, Berlin, R1001/1326).

already mentioned the Belgian buyout of Leopold II in 1908. For other illustrations, one could look to Portuguese concession companies in Mozambique or to German New Guinea, where a company bought and sold a full boat of sovereign rights two separate times in the 1890s, with Germany as the counterparty.²⁹ When viewed in tandem such moments spotlight how the line between state and company frequently disintegrated during this era.

We know that at many points in history, a nominally subsidiary corporation's power often grew so great, and its reach so extensive, that a given state's recognized supremacy in international and domestic eyes could prove irrelevant to negotiations. That was frequently the case with De Beers, often said to represent an "*imperium in imperio*" in South Africa, Rhodesia, and Botswana. But, in the Namib diamond boom of the early twentieth century, the notion of an "*imperium in imperio*" proved literal, to the extent that the *Kolonialgesellschaft's* claim to mining sovereignty, loosely interpreted from 1908 through World War I, left a state legally responsible for enforcing its own absence from governance in a territory. At least in this aspect, De Beers could never outdo its German rivals.

29. On Mozambique: Alfred Vagts, *M.M. Warburg & Co. Ein Bankhaus in der deutschen Weltpolitik, 1905-1933*, in *BILANZEN UND BALANCEN: AUFSÄTZE ZUR INTERNATIONALEN FINANZ UND INTERNATIONALEN POLITIK*, 73-74, 260-261 (Hans-Ulrich Wehler ed., 1979). On German New Guinea: Karl Freiherr von Stengel, *Die Konzessionen der deutschen Kolonial-Gesellschaften und die Landfrage in den deutschen Schutzgebieten*, in *ZEITSCHRIFT FÜR KOLONIALPOLITIK, KOLONIALRECHT UND KOLONIALWIRTSCHAFT*, 330 (Süsserott, vol. 6 1904).