

Chapter 1

PALESTINE AS AN ALTERNATIVE



I cannot see any reason why a prosperous secondary industry in the cutting and polishing of diamonds should not be developed in Palestine, but if the scheme is to succeed, there should be a very strict limit to its immediate extension. It is not only a matter of establishing an industry by setting up factories and plant, obtaining labour, raw materials, and the selling of the manufactured articles; involved in this question are politics, the co-operation of diamond producing countries and the necessity of safeguarding that control of marketing now exercised by the Diamond Corporation. I doubt very much whether it would be politic to give official support to any *unrestricted* scheme, as such support might have the effect of repercussions most harmful to the industry as a whole

—Frederick A. Mathias, “Palestine–Diamond Cutting Industry,” Report, 27 March 1940, TNA: PRO CO 852/289/1.

Preconditions

The story of the birth of the diamond industry in Palestine has been told many times before.¹ The industry’s collective memory has always been part of its distinct sense of an ethnically based business network and a highly skilled occupational community. Its foundation on noncontractual business culture and on social and personal trust—themselves maintained by long-standing norms and shared memories of the diamond dealers,

manufacturers, and workers—encouraged a popularization of the industry’s history and fascination with its mysteries. Adding to this appeal were stories of the initiative and valor of the founding fathers that succeeded in establishing an industry against all odds.

This personalized and heroic approach to the history of the industry was also associated with the embryonic nature of pre-state Palestine in which the all-powerful image of the leader, politician, and intellectual as social shapers was cultivated. The diamond Zionist immigrant-entrepreneur, the national-capitalist diamond manufacturer, or the diamond expert who for years inducted the young apprentices—was part of this constructivist and entrepreneurial culture. Further enhancing the heroic ethos were features that singled out the diamond industry as the locus of smuggling, wartime espionage, and illicit world trade. This imagined “exceptionalism” of the diamond industry also sparked the imagination of historians and novelists who for long have been lured by the business acumen of the diamond dealers, their trading rituals, and occupational culture. However, evoking similar personalized foundational stories, the beginning of the diamond industry in Palestine also demonstrated the extent to which individual agency ought to be contextualized within an interplay of myriad interests and key forces of international politics, global finance, and local entrepreneurial energy, of which the participating actors were only partly aware.²

The emergence of some of these forces dates back hundreds of years. For many centuries Palestine had been situated on main Middle Eastern trading routes, often frequented by Arab and Jewish diamond merchants. Since the Middle Ages, and more intensively since the sixteenth century, Middle Eastern dealers in precious stones were involved in trading networks that stretched from Africa eastward. In Ottoman Palestine the crafts of jewelry making and silversmithery primarily of religious artifacts were fairly widespread. Early initiatives to develop diamond cutting and polishing emerged at the dawn of the twentieth century. In the eighth Zionist Congress in The Hague in 1907 a scheme was drawn to apprentice orphans of the Kishinev Pogrom to diamond cutters in Jerusalem. In 1908 the Bezalel Art Academy in Jerusalem suggested to combine the traditional Yemenite art work with jewelry making and diamond cutting, but the idea failed because the Ottoman authorities objected to waiving customs on the import of diamonds. During World War I Chaim F. Friedman, an Antwerp diamantaire, and Jean Fisher (1871–1929), a prominent leader of Belgian Zionism, formed a group of Belgian Jewish diamond entrepreneurs whose businesses were harmed by the war to negotiate with the Ottoman rulers of Palestine the creation of a polishing industry.³ In 1910 the group, now organized by the Polish Rabbi Shlomo Weinstein (1898–1976) and greatly assisted by the recently created Zionist institutions in Jerusa-

lem, began to transfer part of their manufacturing activities from Antwerp to Palestine. In 1915 Max Bodenheimer—the German Zionist leader and founder of the *Komitee fuer den Osten* (Committee for the East) for the welfare of Jewish Russian communities under German and Austrian occupation—outlined a scheme to weave a network of diamond cutting centers in Cologne, Warsaw, and Jerusalem. None of these projects struck root and the main diamond-cutting centers of Amsterdam, Antwerp, and—on a smaller scale—New York remained unchallenged.⁴

In principle diamond cutting could have been considered an ideal candidate for the autonomous Jewish economy that the Zionist enterprise sought to create in Palestine through the migration of Jewish manpower, capital, and skill. Diamond cutting was associated, after all, with a key Jewish occupational niche, and Jews had been for long the main force in the development of the diamond industry in Amsterdam and Antwerp (and one of the main causes for the success of the integration of east European Jews in Dutch and Belgian societies).⁵ Furthermore diamond cutting in Belgium was partly based on domestic work and familial apprenticeship, which, as some of the initiators mentioned above believed, could have well fitted the artisanal character of Palestine’s manufacture. However, Palestine’s geoeconomic location, the ethnic-occupational traditions of Jews, even the concerted efforts made by the Zionist Movement and Belgian diamond merchants in the 1920s were not powerful enough to induce the establishment of a local diamond industry.⁶

The reasons for Palestine’s absence from the world’s “diamond scene” may shed light on the context in which the industry finally did emerge. First and foremost, until the late 1930s Palestine had not been part of the diamond commodity chain⁷ chiefly because of patterns of Jewish immigration. Palestine was hardly an attractive destination for the Russian, Polish, Rumanian, and German Jewish immigrants who had settled in the Netherlands and Belgium between the 1880s and the 1930s.⁸

Furthermore, while the Zionist Movement sought to encourage the immigration of skilled workers to Palestine, in the interwar period diamond cutters and dealers were largely overlooked, possibly because of the influence of Labor Zionism on the preselecting of Jewish immigrants and the clear preference for agricultural and construction workers. Labor’s constructivist ideology may have influenced the reluctance of the skilled diamond polishers and dealers to replace their integration in the tolerant Low Countries with the realization of Zionist settlement in Palestine.⁹

The second reason for the slow start of the diamond industry in Palestine was Belgium’s hegemony over the international diamond scene. Dominant since the decline of diamond cutting in Amsterdam after World War I, the industry in Antwerp hardly encouraged the development of rival cutting centers. The De Beers diamond cartel reinforced this hegemony

because Belgium and Belgian companies (mainly Forminière) controlled the Belgian Congo and its diamond mines on which the cartel's work depended. Antwerp, both a cutting and a trade center, housed thousands of workers, merchants, and dealers who swarmed the diamond clubs and exchanges, linking Antwerp with the Diamond Syndicate in London, and the main exporting destinations of the polished stones in the United States and India.¹⁰

Furthermore, though Antwerp cut and traded in a variety of sizes and shapes of diamonds, it specialized in cutting very small stones—Sand and Melees.¹¹ The specialization was maintained by the high wages Belgian employers paid their expert cutters and polishers, and it could be endangered by low-wage cutting offered by new cutting centers. The only significant center to have advanced during the 1930s that surpassed Amsterdam¹² and turned into Antwerp's main competitor was Nazi Germany, and it too aimed at specializing in small diamonds. Other centers, dependent on skilled workers from the Low Countries and on the supply of rough stones from the De Beers cartel, did not have much chance to expand, nor could they thrive without the blessing of the cartel that monopolized almost the entire mining of raw materials and their distribution. Moreover, in 1932–1934 the cartel was recovering from a slump in world sales of rough diamonds, partly by meeting the rising world demand for industrial diamonds and partly through expanding its mining activities in Africa. Its ties with the British imperial presence in South Africa and Sierra Leone were enhancing, as indicated by the mining concession given in 1935 to one of its subsidiary companies—the Sierra Leone Selection Trust (SLST). Deeply involved in diamond politics since the discovery of the mining fields in South Africa in 1870, Britain agreed in this concession to give SLST exclusive mining and prospecting rights in Sierra Leone, thereby cementing the ties between the Empire and the cartel. The Belgium-De Beers axis, which the British were now part of and advanced, was suspicious of competing cutting centers that might threaten the accepted patterns of the politics of the diamonds industry.¹³

The third factor hindering the establishment of a diamond industry in Palestine was the absence of a substantial middle class, traditionally the potential consumers of diamonds. This social stratification, unaltered by rapid urbanization in Palestine 1925–1935, was accompanied by a culture of asceticism and modesty that was hardly conducive to the growth of a luxury industry. Diamonds for engagement rings or for industrial usage were mainly consumed in the United States, India, and Europe. In interwar Palestine industrialization and the expansion of commerce were largely based on agricultural and building products (such as citrus and cement). Its exporting destinations were largely confined to Middle Eastern countries and the United Kingdom, and the tempo of urban social forma-

tion could not significantly alter local consumption patterns. The absence of diamond merchants and manufacturers in Palestine's social scene, and the scarcity of well-paid, skilled experts and cutters, added to the climate of small social distances and thrift culture prevalent amongst the local lower and middle classes.¹⁴

The fourth and more significant factor was the economic obstacle. Dominating the diamond trade in the Low Countries as experts or capital owners, Jews did not conceive Palestine as a viable option for an industry that was wholly dependent on ethnic and commercial networks and on Europe as the *entrepôt* of international diamond trade. The greater difficulty was the high custom rates placed by the British Mandate on the import of rough diamonds from Europe. The exorbitant rates, which the Ottoman rule instigated as a source of local revenue for the Palestine government, served to lower the value added (the sum of profits minus all inputs and expenses) of the finished product. Local diamond cutting thus became a costly business, with the rates supplemented by the high prices paid for the raw materials and the length of time needed to train cutters and polishers. The custom rates thus added to British financial considerations, and the understanding with De Beers that alternative diamond cutting centers should be discouraged, in making diamond polishing in Palestine quite an unprofitable business.¹⁵ In sum, none of the historical forces that shaped the centrality of Jews in the European diamond production and business as a middlemen minority and occupiers of an occupational niche were therefore present in Palestine. Despite traditional Jewish concentration in the diamond industry, Palestine lacked the financial resources, the required skill, and the ties that the Zionist institutions and private dealers needed to have with De Beers that were necessary for sustaining a diamond industry. The change came only when a tremendous shift began to crack Belgium's long-standing domination.¹⁶

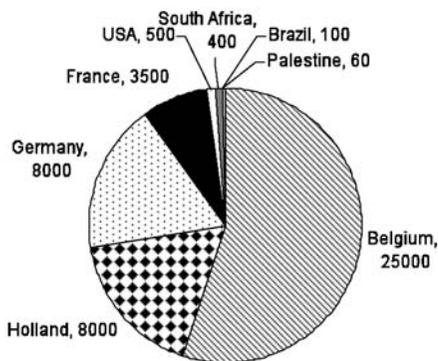
The main process that constituted this shift was the rise of Fascism in Europe. On Hitler's assumption of power in 1933 the world diamond industry was in midst of a recovery from the economic slump of the early 1930s. De Beers's sales were growing again and the diamond industry in Antwerp was expanding, partly due to the movement in Europe of merchants, capital, and expertise that National Socialism and its racial policies were pushing. More significant was Germany's policy to enlarge its diamond industry.

After World War I cutting of small stones were offered in the traditional jewelry centers of Hanau and Idar-Oberstein to Dutch and Belgian dealers in cheaper prices than those offered in Amsterdam and Antwerp. The Germans obtained in this way a cheaper source of rough stones and the diamond manufacturers in the Low Countries could cut their labor costs and increase their profits.¹⁷ The advance of National Socialism in Ger-

many provoked a Dutch and Belgian embargo on this reciprocal system, but to no avail. Since 1936 the German Reichsbank paid high export premiums and subsidies to keep the difference between the German and Belgian wage levels, and once it was realized in Belgium that Nazi rule was not temporary, the arrangement with the German factories was renewed. Intentionally supported by the Nazi regime, the production of stones in Germany became ever cheaper. The Belgian-German network included Jewish dealers as well, notwithstanding the fact that at the same time in New York, the Jewish anti-Nazi boycott movement called diamond dealers in Europe and the US to cease trading with the Germans. Encouraged by the imperviousness of the diamond trade to the burgeoning international conflict, the Nazi regime stepped up the local industry's production of diamonds for industrial-military use. No wonder that in 1938 the Belgians expressed the fear that British appeasement policy towards Germany might lose the Belgian Congo—coveted for its diamond-mining sources—to the Germans.¹⁸

Germany's growing diamond power was justly feared because it coupled its amassing of rough diamonds for industrial use with the introduction of Taylor-inspired efficiency work methods. By cutting down wages and prices, the flourishing of the diamond-cutting centers in Germany in the latter part of the 1930s caused unemployment among diamond workers in the Low Countries, and despite replenishment by Jewish migration from Germany to Belgium it significantly brought down the number of active diamond workers in Antwerp. The weakening of Belgium's hegemony was a crucial background for the concerted search in the world diamond industry in 1939–1940 for alternatives.¹⁹

Figure 1.1 Employed in the diamond industry in early 1939



Included are diamond cutters, polishers, administrative staff in the factories, and diamond dealers. Diamond miners in South Africa were excluded. In Palestine the number of employed would rise in a few months to 180. In autumn 1939 it was estimated that only 14,000–15,000 of the 25,000 workers in Belgium were working. Sources: Avraham Friedman, "The Diamond Industry in Palestine's Economy," *Hameshek Hashitufi* (23 February 1947); "On the Crisis in the Industry," *Niv Poaeli Hayahalomim* (January 1947): 6; Laureys, *Meesters*, 131–32.

The shift was further affected by the instability experienced by the Jews of Belgium and the increase in anti-Semitic sentiment in Europe. Though the majority of the 90,000 Belgian Jews in the late 1930s (about 65,000 of whom lived in Antwerp) were not Belgian citizens, their social and economic status reflected a relatively successful integration into Belgian society. This was demonstrated by the role of the Jews in diamond cutting and trading—in early 1939 constituting 350 of the 400 diamond brokers, 6,000 diamond manufacturers and some 80 percent of the 25,000 diamond workers. While destabilization of Jewish life did not immediately propel cessation of trading relations with dealers and workshops in Germany or large-scale flight of Jews from the country, after anti-Jewish riots in August 1939 and the outbreak of the war Jews began to move, mainly to Southern France and to London. Increasingly the diamond community in Antwerp became aware that diamond capital and skill might have to seek alternative locations.²⁰

More crucial, however, was the concern of the British and De Beers over Nazi advances. De Beers's sales, which had only recently recovered, plummeted again as a result of the German threat over the Belgian Congo, and in 1938 the cartel's sales were a mere third of what they had been the previous year. De Beers's decline, in turn, jeopardized British business interests in Africa and thus the De Beers-Britain connection became ever stronger. De Beers's work depended on Britain's imperial hold over the Belgian Congo and its policy towards Germany, while Britain needed De Beers's reserve of rough diamonds for industrial use and subsequently its assistance in recruiting the diamond industry in the war against Hitler. Their interests thus intertwined, De Beers and the British government could not afford to have the Belgian industry crumble and its hegemony pass into the hands of Germany, and on the outbreak of the war they launched a worldwide search for an alternative to Antwerp's diamond center. This was a crucial precondition for the part diamonds played in the Allied economic warfare against Germany and, ultimately, for the emergence of the diamond industry in Palestine.²¹

Local Initiatives

The changing political atmosphere in Europe and the search for a stand-in for Antwerp's diamond center revitalized the then stagnant attempts to create a local industry in Palestine. Recognizing the rare window of opportunity, the Department of Trade and Industry of the Jewish Agency (the formal representative of the Jewish community in Palestine vis-à-vis the British government) sought to encourage the migration of Belgian dia-

mond manufacturers and cutters to Palestine. Emissaries from the Zionist Organization in London tried to persuade Belgian diamond experts to transfer their business to the Middle East. The Histadrut (the General Federation of Jewish Labor) for its part set about gathering information on the wages of the Belgian diamond industry, assessing the feasibility of creating an industry in Palestine. Both undertakings were carried out clandestinely, for fear of raising the suspicion of the ADB, the Belgian Diamond Workers Union (which opposed another low-wage cutting center) and provoking anti-Jewish reactions from Flemish Nazi supporters in Antwerp. At the same time, the Jabotinsky-led Revisionist Movement, often with stronger ties with the Zionist Organization in Belgium than the Histadrut, organized financial assistance for would-be immigrants from Antwerp to Tel Aviv. Attempts were even made by the Jewish Agency to induce the immigration of expert polishers from Nazi Germany, a prospect that could have well enraged the Belgians who bore the main burden of German competition in the cutting of small stones.²²

However, only few immigrants followed these schemes and relocated their business to Palestine in 1934–1937. Among these were Romanian-born Zvi Rosenberg (1902–2005) and Asher Daskal (1908–1990), who opened the first cutting workshops in Tel Aviv and in the plantation town of Petah Tikva in early 1937. Both learned the craft of diamond polishing in Antwerp in the 1920s and never quite relinquished their Belgian business and occupational sources. Another newcomer, the internationally renowned diamond expert Joseph Nadel (1914–2002), was born in Poland and apprenticed to a diamond polisher in Antwerp. In 1934 he came to Palestine to join a kibbutz, and three years later established a small diamond atelier in Tel Aviv, where he became a model trainer of the polishing methods he had learned in Antwerp. The brothers Carol [Akiva] Pickel (1909–1996) and Arie Pickel (1910–2003), were born in Hungary, and in 1927 moved to Antwerp to learn diamond cleaving. In 1936 Arie Pickel opened a factory in Tel Aviv, whose chief craftsman, the Belgian diamond expert Aharon Moritz (1887–1967), attracted many young apprentices. Carol Pickel, who remained in Antwerp to guarantee the provision of rough stones, finally joined the factory in 1939.²³ Heinrich (Chaim) Goldmann (1882–1974) was born in Hungary, studied mining engineering in Germany and from 1905 was trained in diamond cutting in Antwerp. In 1907 he joined Jean Fisher in proposing the Ottoman representative in Brussels to establish a diamond industry in Palestine, and after they were rejected Goldmann opened a diamond factory in Antwerp and later also in Vienna. He immigrated to Palestine in 1934 and three years later opened a diamond factory in Tel Aviv in which many of the first workers of the industry in Palestine were apprenticed. Similarly, both Shmuel (Sam) Moed (1875–1952) and Moshe Offen (1900–1969) had had many years of experience in diamond

manufacturing in Antwerp, and the factories they established in Tel Aviv later turned into central training centers, entirely depended on the delivery of rough diamonds from Belgium.²⁴

By 1939 the factories in Palestine, supporting scarcely sixty workers (0.03 percent of the 192,000 earners in the Yishuv), were still little more than an extension of the Antwerp mother-center and too dependent on Belgium for the supply of raw stones and commercial outlets to achieve any international standing. The history of the traditional cutting centers in Europe showed that the establishment of a viable diamond industry entirely depended on factors Palestine was still lacking: a steady supply of rough stones, entrepreneurial initiative, an expanding skilled labor force, a favorable customs environment, and a capacity for competition.²⁵

The first change originated in a joint pressure by the founders of the industry and the Jewish Agency on the British to reduce customs. The pressure was based on an understanding between the diamond manufacturers and the Jewish Agency that none of the preconditions listed above could be achieved but through collaboration of public funding of the Zionist Movement with the privately owned factories. The latter would have to cooperate with the Jewish Agency for facilitating the immigration of diamond experts and for backing financially the apprentices, and with the Histadrut, which was needed for allocating young workers to training in workshops and for keeping the factories free of labor disputes. Like many industries in the Yishuv, so the understanding assumed, diamond cutting had to become a national-capitalist-oriented enterprise, marrying Jewish immigration, economic advance, and Zionist capital-labor partnership on the lines molded in the Yishuv since the mid-1920s.²⁶

The first to follow this model of partnership of public and private forces and a key factor in the anti-customs campaign was the Diamond Club (Mo'adon Hayahalom)—a private initiative supported by the Trade and Industry Department of the Jewish Agency. Established in Tel Aviv in November 1937, the club was run by Akiva Weiss (1868–1947), a clockmaker and trader in precious stones who was one of the founders of Tel Aviv early in the century. Not unlike the older *Diamantclub van Antwerpen*, which was a society of diamond traders, or the *Diamant Raad* (Diamond Council), which administered the entire diamond sector in Antwerp, or the New York Diamond Dealers' Club (established in 1931), the club in Tel Aviv brought together diamond merchants and manufacturers to transact business, socialize, and determine the sector's ethical code. "To become a member," maintained the "Internal Regime of the Club," "one must have a good repute [Shem Tov], negotiate in good faith and behave toward others as comrades [Rei'm]." Only individuals engaged directly in dealing or manufacturing precious stones were eligible to join, and it was only they who were granted licenses by the British authorities to import rough

stones and export polished diamonds. The location of the club in Tel Aviv (with forty members in 1938) under the leadership of the distinguished Akiva Weiss made the city the first diamond center in the country and the locus of the pressure on the British authorities.²⁷

The Jewish Agency, recognizing the nascent diamond industry as a valuable national resource, took the club under its wing and, similar to the protection the Belgian government afforded the Jewish workers of Antwerp's lucrative diamond industry, provided it with both financial and political support. This institutional backing made the club a sort of a Zionist middle-class pressure group, marking the formidable custom taxes imposed by the British authorities on various species of unset diamonds as its main target.²⁸

Intending to nurture the diamond industry, the British finally bowed to the pressure and in September 1938 drastically reduced the custom duties. The reduction was a turning point in the development of the diamond industry. Not only did it lower manufacturers' expenses on the import of rough diamonds, thereby creating a financial climate conducive to the industry's growth, but it also served as a clear indication of the British intention to support the industry—adding to Belgian fears that Palestine was aiming at cutting diamonds at competitive prices. It demonstrated the British interest to counter the growth of the German cutting industry and to use the export of diamonds from Palestine as a source of income for the treasury of the Palestine government. Clearly the British involvement turned local diamond manufacturing more appealing to diamond dealers from Europe, but mostly to entrepreneurs and investors in Palestine itself.²⁹

Among those fascinated by the new prospects of diamond cutting in Palestine was Oved Ben-Ami (1905–1988), the chairman of the small urbanizing plantation of Netanya. An entrepreneur dealing in agriculture and land transactions, Ben-Ami had no background in diamonds. He was born in Palestine to an East European family and rose to power in local Zionist circles in the 1920s. Land deals and urban planning in the 1930s acquainted him well with British officials.³⁰ From early on Ben-Ami was drawn to a liberal version of Zionism that espoused the establishment of a Jewish state in Palestine on private capital and individual initiative. He expressed his Zionist liberalism in numerous articles in the right-wing press in which he was active. It was in this period that his insistence on individualism and capital-based nation building was shaped. In his two functions as an activist in Bnei Binyamin (the young militants of the farmers' organization in the Yishuv), and in the Hebrew moderate-right-wing journal *Doar Hayom*, he traveled abroad extensively attempting to persuade Jews to invest capital in Palestine, in land purchase and in planting

citrus orchards to be farmed by local Jewish farmers. In 1929 he was one of the founders of Netanya, a plantation some 30 km north of Tel Aviv.³¹

Seeking to establish the plantation as a model for capital-based nation building, Ben-Ami envisioned Netanya as the spearhead of the Zionist urbanization of the coastal region on the principles of private initiative, close relations with the British authorities, the disengagement of the plantation from neighboring Arab settlements, and the formation of Netanya as an economic and political nerve center for adjacent Jewish settlements. The purchase of the lands and the actual development of the town were to express entirely these tenets of the capitalist road to Zionist state building. In rejecting the Zionist-Socialist road espoused by the Zionist Labor movement and the interventionist policies of the Jewish Agency (which Labor's leading party, Mapai, controlled) he accorded the town's people to take its development as a private investment and individual risk. Little help was asked from the Zionist national institutions, public investment was rejected, and independent initiative was cherished. At the same time, however, Ben-Ami's conception was Zionist and national, and the institutional backing of the national institutions was welcomed as long they refrained from intervention. Moreover, close cooperation between the town's leaders and the British authorities struck root, associating the government with capital, local politics, and land transfers. Significantly these principles would be subsequently reproduced in Ben-Ami's taking over of the development of the diamond industry.³²

Though not a diamantaire himself, Ben-Ami was well aware of the financial possibilities of such an industry (especially now, with the lifting of import customs), of Jews' historical association with the diamond trade, and of the deteriorating conditions of the Jews in the Low Countries.³³ A local diamond industry seemed a natural choice for his Zionist vision to urbanize and industrialize his plantation town and for personal gain. Focusing less on diamond merchants and trade and more on actual diamond manufacturing, Ben-Ami's first step was to attract manufacturers from Petah Tikva and Tel Aviv to Netanya. In 1939 he established a municipal fund that guaranteed manufacturers free land and factory space in return for their commitment to build their factories in Netanya and become the town's citizens. Providing the main entrepreneurial drive, Ben-Ami's early involvement in the diamond industry therefore characterized the strengthening in Palestine of agents of economic change whose capitalist orientation was immersed in their liberal nationalism, the vision of Zionist Jewish industrialization, and the claim for entrepreneurial independence.³⁴

The significance of Ben-Ami's scheme was in planning an alternative to the concentration of the diamond factories in Tel Aviv and Petah Tikva, and in attracting entrepreneurs who had no previous background in the

diamond industry.³⁵ Moreover, it created (soon with the help of the Palestine government) an alternative path to the efforts of the Jewish Agency and the Diamond Club in Tel Aviv to regulate from above the prospected movement of the diamond people from Antwerp to Palestine. Ben-Ami's success hinged, however, on the ability to challenge Belgium's supremacy in diamond cutting and on forcing a way into Antwerp's traditional niche of small-stone polishing over which Antwerp competed with the Germans. Moreover, dealers in Belgium were still Palestine's sole suppliers of rough stones, and to materialize the challenge, skill and supply were paramount. To overcome these obstacles, and secure for his center the necessary skilled labor force and raw material, Ben-Ami would need to connect himself with the De Beers diamond cartel and the decision makers in the Colonial Office in London. What seemed like an impossible feat suddenly became feasible with the outbreak of World War II, when the British and the cartel's search for a substitute for Antwerp's diamond center climaxed.

The Pressure of the War

During the first months of the war the fear of German invasion of the Low Countries increased. In addition to disrupting the international diamond trade, the onset of war gave rise to the fear that Germany might appropriate the Belgian industry and its reserves, a fear that decisively shaped British economic warfare strategies. As far as Britain was concerned, all diamonds were now potentially industrial and therefore of strategic value. British colonies were expected to support the war effort by producing more and consuming less; the export of goods such as rough diamonds from London to the Low Countries was suspended by law; and maintaining good relations with De Beers, the supplier of diamonds to the Allies, became a crucial interest. Accordingly, the British Board of Trade established a Diamond Export Committee consisting of government officials and De Beers representatives. Among the latter was Frederick Albert Mathias (1891-1981), director of the Sierra Leone Selection Trust, who would become a key figure in shaping British policy regarding Palestine's diamond industry.³⁶

At first blush, the war did not seem to do the budding industry in Palestine any good. The situation of Belgian Jews became even more precarious. The growing anxiety over a possible German invasion and the outburst of anti-Semitic attacks in December 1939 and January 1940 caused many Jews, including the more wealthy diamond manufacturers and dealers, to escape to Southern France. At the same time, Camille Huysmans (1871-1968), Antwerp's Socialist mayor, and Romi Goldmuntz

(1882–1960), a senior Jewish diamond dealer and one of the leaders of the Jewish community, began directing Jews to England, believing this to be the best way of guaranteeing the recuperation of Antwerp’s diamond center after the war. The idea was initially resisted by some who thought the danger was temporary and that a German invasion was unlikely. Others claimed diamond workforce and capital would be best guarded in neighboring France, not across the channel, where an imminent German attack was expected. German military advances finally put an end to the dispute, prompting large-scale immigration of diamond manufacturers, dealers, and workers to England and Portugal—and from there to Cuba, New York, South Africa, and South America.³⁷

Palestine was hardly a favored destination and its factories were severely harmed by the disintegration of the Belgian-Jewish diamond community, its chief supplier. By January 1940 the supply routes of rough diamonds from Belgium to Palestine were cut off. In what seemed a deepening intervention of the Palestine government in the industry, the diamond manufacturers in Tel Aviv were forced to buy collectively their raw materials from the London-based DTC, to obtain special authorization from the government to export the finished diamonds, and to direct the exports exclusively to the US in order to secure income in American dollars.³⁸

The effect of the spread of the war was wider, however. The deterioration of international relations before the outbreak of the war affected the industry more in terms of trade relations between states, and between states and the De Beers cartel, and less in terms of personal trust among diamond merchants. The negative responses to the spurt of the German cutting industry hardly harmed the vitality of the trade and the trustworthy relations among the dealers on which this vitality fed. No embargo in New York (conducted at the time by a boycott committee), nor the distribution by British intelligence of “black lists” of those dealing diamonds with the Germans, could destabilize the delicate mechanics of this long-established trust network. After the outbreak of war, however, this all changed. The industry was beset by an atmosphere of animosity and suspicion, undermining the working relations between Jewish and Christian dealers, even amongst Jews themselves. It was in this context that the various forces that played key roles in initiating the manufacturing of diamonds in Palestine gradually perceived the latter as an alternative to Antwerp. The trust system on which the ethnic-economic complex of the diamond industry and trade had been built turned a chief factor in the choice of Palestine for the role it was going to fulfill.³⁹

The effect on the British and De Beers was crucial. The increasing paralysis of diamond production in Belgium hit the diamond cartel, but it

also tightened the British-De Beers coalescence of interests. Good relations between England and Belgium (and later with the Belgian government-in-exile in London) seemed essential now because of the dependence on diamonds mined in the Belgian Congo. Opting for Palestine as an alternative center was regarded by the diamond cartel as providing continuity in diamond production necessary for guaranteeing the future return of the Low Countries to their prewar status as leaders of the industry. Realizing the increasing importance of diamonds for the war effort, the British government saw in Palestine a convenient lever to counter the German effort to increase diamond production and to prevent diamonds from reaching them. Palestine could serve as a lucrative export industry to the US, a source of financing for England's colonies and warfare, and an effective stumbling block to the expansion of the German diamond industry—drawing diamonds that might otherwise reach its factories.

The British needed American dollars to maintain their colonies and finance the war effort, and the cultivation of a diamond-exporting industry to the US seemed to fit. The De Beers cartel, on the other hand, feared that decreasing demand of the Low Countries for rough stones due to the war would harm its sales. Belgian Congo, one of the chief sources of diamonds, could be in danger now. The reserves of rough diamonds mined in Sierra Leone were dwindling. Both the British government and De Beers urgently needed an alternative to the increasingly paralyzed diamond trade in Europe. For both entities, Palestine seemed an obvious choice: it was far from the European front, Jews for centuries have dominated diamond cutting and trading, Zionism fervently opposed Nazi Germany, and Palestine's exports were controlled by British rule and its recently issued White Paper.⁴⁰

Against the joint search for alternative diamond production center, in winter 1940 all those involved in the small diamond industry in prewar Palestine focused their energy on persuading the British Government and De Beers that Palestine was indeed what they were looking for. The pressure provoked some thorny issues, however. The first concerned the supply of the rough stones. As Palestine received most of its raw material before the war directly from dealers in Belgium, how could the Diamond Syndicate would be convinced to consider Palestine and its few diamond workshops to be one of its new alternative targets? Moreover, as the factories in Palestine focused their production on small stones (or Sand), and as the syndicate persisted with its decision of mid-1938 to sell small stones only to those who worked also Melees (the slightly bigger stones)—how would the syndicate be convinced to adapt itself to Palestine's new specialization? The second issue was graver. How the British government could be assured that the diamond industry in Palestine was secure enough so as to prevent diamonds from reaching the Germans through their Middle

Eastern connections (mainly in Syria and Egypt)? Moreover, would not the immigration of Jewish experts from Belgium, and the growth of a local industry, threaten the future return of Belgium to full production in which the British were keen to secure? And finally, as the British wanted diamonds to be exported from Palestine to the US in exchange for dollars to be earned by the Sterling Bloc, how could they be convinced that the export would not be oriented elsewhere?⁴¹

That the challenge these problems posed split those involved with the diamond industry into two competing factions is essential for our understanding of the shaping of Palestine as an alternative production center. One faction, the Tishby-Weiss camp, comprised the Jewish Agency in Jerusalem, its Trade and Industry Department headed by Nachum Tishby, and leaders of the Diamond Club in Tel Aviv, among whom Akiva Weiss was the most prominent. The second faction consisted of Oved Ben-Ami, fellow bureaucrats in the Netanya town council and the owners of the newly established diamond factories in Netanya who were drawn by Ben-Ami to the town. The division between the two camps emerged already in 1939 when Ben-Ami and his entrepreneurs, who lacked previous experience in diamond manufacturing, entered the scene—much to the chagrin of the professionally restrictive Diamond Club. The growing paralysis of the industry in Belgium and the consequent window of opportunity for Palestine drove the two camps in the winter of 1940 to a head-on confrontation.⁴²

Though differing in tactics, the two factions shared many common ideals. Both groups were dedicated to Zionist state building in Palestine. Both were keen to see Palestine's diamond industry accelerate, absorb as many immigrants and experts, contribute to the finances of the Yishuv, and serve financially the Zionist State-building enterprise. Indeed, neither faction intended for the new industry to remain a temporary alternative to Belgium. Also both camps upheld a liberal economic approach and at the same time both were dependent on the Jewish Agency to secure the immigration certificates for the Jewish experts and capital owners expected to arrive from Antwerp and Amsterdam.

The two factions differed, however, in concept and tactics. Advocating a national-liberal approach, the Tishby-Weiss camp envisioned Palestine's diamond center as a private industry, run by expert dealers and diamond manufacturers. Its factories would be spread throughout the country, operating under the auspices of the Zionist institutions and backed by banks connected to the Zionist Movement. Most importantly, the Diamond Club would serve as its sole organizing body—working in conjunction with the Palestine Manufacturers' Association (PMA), the long-established umbrella organization of manufacturers in the Yishuv under the leadership of industrialist Arie Shenkar—of the diamond manufacturers and mer-

chants, though without restricting their freedom of action. In many ways these conceptions were reminiscent of what was known in Zionist liberalism as the national-liberal approach.⁴³

Ben-Ami's group maintained a far more radical approach. It presented a decentralized concept of a private industry based mainly in Netanya (Ben-Ami's small urbanizing fief), and involving both experienced diamond experts and capitalists with more background in agriculture and construction than in diamonds. Accordingly, the group contended, the industry should be based on a monopolistic organization, closely inspected by the government and not the Jewish Agency or any other Zionist institution, and totally free of the intervention of either the Jewish Agency or PMA. The British were promised in this scheme more presence and power over the industry than Jewish national institutions. Moreover, in defiance of national-bureaucratic incursions from the Jewish Agency in Jerusalem and from the Diamond Club or PMA in Tel Aviv, control of the diamond manufacturing and trade would be secured by a strong hierarchical organization under Ben-Ami's management. The two factions represented, therefore, within the Zionist Movement different concepts of the organization of the industry, its control structure, and internal hierarchy. The difference testified also to the extent to which the involvement of the colonial state could impact contestations within the local elite.⁴⁴

The campaign of the two groups in winter 1940 to secure the recognition of the Palestine diamond industry by De Beers and the British demonstrated the intersection of colonial politics, ethnic networks and military considerations. Knowing that Palestine was a serious candidate for replacing Antwerp's diamond center, each faction did everything in its power to convince officials of the British-De Beers coalition to establish a full-fledged industry in Palestine—according to its vision and strategy. The Diamond Club in Tel Aviv (the Tishby-Weiss camp) organized the diamond manufacturers to present their case before Geoffrey Walsh, the economic advisor of the Palestine government and John Fletcher of the Customs department.⁴⁵ Nachum Tishby and Dr. Emil Schmorak of the Department of Trade and Industry of the Jewish Agency in Jerusalem lobbied at the offices of the Zionist Organization in Johannesburg, Antwerp, and London. Ethel Hayman, a Zionist activist in Johannesburg, was asked to approach Sir Ernst Oppenheimer, the chairman of De Beers, in order to secure his consent to provide Palestine with rough diamonds and small stones. Chaim Friedman of the Zionist Federation in Antwerp was supposed to coordinate contacts with Jewish diamond circles and with the Belgian authorities regarding immigration permits, and Joseph Linton, a pivotal figure working under Selig Brodetsky at the London Office of the Jewish Agency, was asked to contact the DTC and the Colonial Office.

If the efforts of this camp, and the Diamond Club as its main voice, focused before the war on the Palestine government to reduce the customs on the import of rough diamonds, now the orientation was on wider political pressure and on mobilizing Jewish and Zionist networks. Furthermore, as a countermeasure against the Ben-Ami Netanya-based faction, in February 1940 Tishby and the Jewish Agency started to organize the Tel Aviv diamond experts and entrepreneurs as a section in the Agency's Trade and Industry Department. The group believed that they had gained the upper hand, unaware of the detour Ben-Ami and the British Ministry of Economic Warfare prepared for them.⁴⁶

The Ben-Ami group was indeed no less active. Despite the objections voiced by the Jewish Agency that he strongly criticized, Ben-Ami made separate contacts with Walsh, the government's advisor, and with John Fletcher of Customs, in order to pull them to his own line of reasoning. Through them, and without the blessing of the Jewish Agency, he contacted the Colonial Office and Ministry for Economic Warfare. The experts Ben-Ami attracted to Netanya before the war acquainted him with diamond experts and dealers in Antwerp who would soon help him to select diamond experts and manufacturing for settlement in Netanya. More crucially, the Antwerp people recommended him to contact George Prins (1889-1973) in London, one of the owners of the Hennig & Co. diamond brokerage company, and a long-time dealing associate with De Beers. As we shall soon see, Prins and the Hennig brokerage would play a crucial role in the evolution of the Palestine diamond industry.⁴⁷

Naturally Ben-Ami's independent moves were strongly objected to by the national faction who claimed that at a period of sensitive relations between the Zionist Movement and the British government all projects in the Yishuv ought to be coordinated by the Zionist institutions. The rivalry came to a head in March 1940 when Ben-Ami traveled for a month-long visit to London, Antwerp, and Amsterdam, disregarding the efforts made in parallel in Antwerp to bring diamond manufacturers to Palestine by Asher Daskal, who since 1936 was one of the leading diamond manufacturers in Palestine and now the emissary of the Tishby-Weiss national camp. Both groups sought now to make a diamond-cutting center in Palestine viable, and both had to obtain the same assets Palestine lacked—raw materials, capital, and expertise.⁴⁸

On his way from London to Antwerp Ben-Ami thought that he would be met by many in the diamond industry and trade that would be craving to flee from Europe. Before his trip he asked the Netanya town council to file applications for the immigration for about 150 candidates of whom he has been informed by diamond and Zionist activists, and he expected now to finalize the arrangements. However, in Antwerp he heard "a wholly different song," as he later told. Only a few were willing to leave Europe.

Most wished to move to Southern France for what they believed would be a close and temporary sojourn. Among them were many from Poland and Romania who had arrived in Belgium in the mid-1920s and early 1930s and hardly considered Palestine an option. They would have preferred New York, Cuba, or Brazil but were persuaded now by the Belgian government and Huysmans, the mayor of Antwerp, that France was safer. To Ben-Ami's disappointment, only fifteen diamond manufacturers and some experts were willing to commit themselves to emigrate.

The commitment the applicants signed was instructive. They testified that they were capital owners and wished to immigrate to Palestine "to establish and develop the trade of diamond polishing." In joining the project the immigrant committed himself not to go to any other place but to settle in Palestine within two months of receiving the immigration certificate from the government's immigration department. More significantly the newcomer pledged himself to a specific destination and occupation: "To settle in the town of Netanya and to use and invest my capital in construction of a factory and arranging the tools and all the machines necessary for cutting and polishing gem stones." These selective and regimenting aspects climaxed in expression of loyalty to the project—"I take it upon myself to materialize the above project in three months from my arrival in Palestine in accordance with agreed plans of, and under the supervision of, the industry department of the Jewish Agency for Palestine and the head of Netanya's town council." To Ben-Ami's dismay some of the merchants in Antwerp maintained trading relations with German diamond dealers and factories. Now they would all have to be screened by the British intelligence, and once affirmed to be trustworthy that they would not sell diamonds to the Germans, their immigration was authorized. The project therefore entailed close cooperation with the government.⁴⁹

The most important thing Ben-Ami learned in Antwerp in winter 1940 was not diamond cutting and polishing techniques he knew little about, or the secrets of the noncontractual culture of diamond dealing and trading he read about in popular sources, but how political everything was. Politics was at the heart of the industry because it determined the supply of the rough diamonds, and politics was needed because the key for obtaining rough diamonds for cutting was at the DTC, depicted by Ben-Ami as the "citadel in London." It was here that the Ben-Ami victory over the Tishby-Weiss faction was secured.

The reason was not a drastic difference in argumentation. After all, both groups argued in British ears that Palestine did not mean to compete with Belgium but to harm Germany, which had developed a competitive diamond industry before the war and aimed to capture the diamonds of Belgium and the Netherlands. If the Germans were buying diamonds freely in South Africa, so the argument ran, why was not Palestine permitted

to buy diamonds directly from the DTC in London? Furthermore, both Tishby and Ben-Ami promised the British authorities that Palestine would export the polished diamonds chiefly to the US, thus demonstrating the future financial usefulness of the industry to the British. And finally, both camps promised that the industry in Palestine would be organized and operate under supervision, so that diamonds would not reach the enemy. What determined the British preference for Ben-Ami encapsulated a much more thoughtful logic.⁵⁰

The Logic of Limited Expansion

The most influential figure on diamond issues on the British side, and practically the shaper of the colonial framework that made the development of the diamond industry in Palestine possible, was the economic advisor at the British Ministry of Economic Warfare, Frederick Albert Mathias. Born in 1891 in Australia, with a long history of working in subsidiary companies of De Beers and in British colonial service, Mathias was well experienced in the diamond business. His position since 1934 as the government director of the Sierra Leone Selection Trust (SLST), a De Beers subsidiary with deep British involvement, and his experience in diamond deals in his own company (Diamond Realisations), made him a fitting participant in the steering committee established jointly by the Ministry of Economic Warfare and De Beers in early 1940.

Though the operation of diamond mining, as that in Sierra Leone, and the operation of the cutting and polishing of diamonds, as that planned for Palestine, entailed completely different tasks and organization, Mathias's earlier experience in working through a local chief in the Kono District in Sierra Leone was quite consistent with the idea of working through the representation of a local entrepreneur such as Oved Ben-Ami of Netanya. If in Sierra Leone an on-hand supervisor was needed to prevent illicit mining, in the Middle East one was needed to prohibit uncontrolled trade. Ben-Ami was destined to play the position of an economic intermediary between the British colonial power, the experts that were destined to be brought over from Antwerp, and capital investors. Seen from this perspective of the way colonialism and business worked together, it was Mathias and the understandings he reached with Ben-Ami in March 1940 that made him a sort of a private entrepreneur in the service of the colonial state, and the latter a formative instrument in the advance of Zionist capitalism. He was not simply a "comprador" working against the interest of his own community and country in the service of the business interests of a foreign entity, but a pivotal intermediary in a system that both harnessed political power and resources for capitalist and Zionist goals, and at the

same time mobilized for imperial and business interests that coalesced in the specific conditions of a war.⁵¹

The imminent danger of a German invasion of the Low Countries impelled Mathias to devise a step-by-step plan for the establishment of an alternative to Antwerp's diamond center. Following his meeting with Ben-Ami, Mathias prepared a proposal that he subsequently presented to the MEW. According to the proposal Palestine was ripe for a diamond industry. It had a skilled labor force, initial capital, and a host of experienced diamond traders organized under the Diamond Club. It was of utmost importance, however, that the industry not be developed too quickly, "because not all those involved there are certain to be 'men of integrity'" and may smuggle their diamonds to Germany—a danger exacerbated by the industry's proximity to Syria, whose diamond traders, closely connected to Lebanese dealers in Sierra Leone, were suspected of illicit trading.⁵²

Second, Mathias reasoned, the establishment of diamond factories, the recruitment of cutters and polishers, and the obtaining of rough diamonds for polishing were economic issues, but also deeply political. It involved the cooperation of other diamond-producing countries (e.g., Belgium, the Netherlands, South Africa, and Germany), and it also necessitated, from a political standpoint, the safeguarding of the control of diamond marketing exercised by the De Beers. Accordingly, as unrestricted development might have harmful repercussions on the industry in other parts of the world, any development in Palestine should be limited.

The third point in Mathias's proposal was that the diamond industry was inherently sensitive to fluctuating world conditions, and the demand for diamonds greatly affected the number of workers employed in the industry. This was true in particular for Belgium, which, despite the varied types of stones polished, specialized also in a particular type of small stone (Sand). When world demand for all types of diamonds declined in the early 1930s, the marketing of Sand became, in Mathias's words, the "life's blood of the people engaged in the cutting industry in Belgium," because "the principal element of cost in this particular class of diamond is not the cost of the raw material but the cost of manufacture." Belgian Congo was the largest producer of Sand and therefore Belgian producers, supported by their government, could contract to sell to the DTC their entire production on condition that the Belgian cutting industry would be kept fully supplied in its demand for this particular type of raw material. This also meant that the Belgian government and diamond producers sought good relations with the British because diamonds were economically crucial in British colonies and dominions, and the increase in the demand of Sand affected prices of other types of diamonds mined and polished in these colonies. Therefore, the value of good political relations, European and imperial, was closely associated with the economic aspects and trade rela-

tions. Furthermore, Mathias argued, the US, being the largest purchaser of small stones, was interested in developing the diamond industry in Palestine (partly pressured by American Jews) because its stones would be cheaper than the European ones. This meant that Palestine, developing a Jewish-centered industry that might have to be based on cheap Jewish labor, would become not only a competitor for Belgium but also a threat to the level of employment of Christian diamond workers in Europe. The fear was that the cutting industry in Palestine might grow to such an extent that its competition with Belgium may have the effect of antagonizing the Belgian government and thereby causing friction amongst the producers—the Belgian Congo being the large producer. According to Mathias this association between the problem of demand and the “Jewish question” was another reason why “progress must be slow and patience exercised by those in Palestine,” and why “people in Palestine must appreciate that the policy adopted by those controlling distribution must not be influenced by creed.”⁵³

Mathias’s logic thus integrated interests with war. The fear that diamonds would reach the enemy through Palestine was closely associated the fear that Palestine’s use of sweated labor (including cheap Arab labor) and paying lower wages would compete with the Belgians. If Palestine expanded beyond a limit not only would there be too many diamonds around to be picked by the enemy but Palestine competitiveness would also pose a serious menace to Belgium’s economic recuperation in the future. Moreover, these developments would be anathema with wanting to keep good relations with Belgian Congo. This seemingly economic–international relations argument for the need for Palestine to be a “contained alternative” legitimized British preference for an entrepreneur who would be totally dependent on them and on the DTC, and would not dare to challenge these arguments. Working with Zionist national institutions would be a totally different matter altogether.

After detailing the reasons for the limited expansion of the industry, Mathias went on to enumerate his recommendations for the industry’s economic and organizational structure. Wholly unaware of the reality in Palestine, Mathias based his suggestions on his extensive experience in the diamond world in general and in SLST in particular. The precarious situation of the trust relations between dealers and the threat of diamonds falling into German hands warranted careful scrutiny of potential dealers and manufacturers in Palestine—particularly of those considered “most undesirable citizens” (men suspected of illicit trade, blacklisted by trading and insurance companies, or of otherwise questionable reputation). A firm believer in the bureaucracy and centralization he developed in Sierra Leone, Mathias was in favor of applying a similar control system to Pales-

tine, where the local Palestine government under the high commissioner was already running a complex bureaucracy.⁵⁴

Mathias therefore recommended that the Mandate government appoint a committee of government officials and industry representatives, “so as to leave no loophole whereby diamonds could pass from Palestine directly or indirectly to Germany”; a Jewish-only organization must be formed under Ben-Ami’s strict management, confederating all diamond manufacturers—both veterans and newcomers; diamonds should be imported only under government license, through a joint purchase (coordinated by the organization) and from a single source in London, namely, the DTC; representing the industry in London would be a trustworthy broker, a man of outstanding integrity and professionalism who would ensure the steady supply of raw material, putting the interests of the budding industry before his own; and upon receiving the diamonds, the organization would issue them to its members, closely supervising their work methods. This monopolistic scheme would guarantee not only the complete control of the industry by the organization (a proxy for the Mandate government), but also the exclusion of diamond dealers from the import-export process, reducing the likelihood of illicit trade with German and Syrian dealers. Furthermore, in order to prevent Palestine from developing a cheap or sweated labor-based industry, Mathias recommended that all cutting and polishing should comply with the ILO Labor Code (issued in the early 1930s), which asked employers to provide reasonable conditions for the diamond workers. This meant the fixing of a minimum wage established by the government itself on the lines fixed for the workers in Belgium (i.e., 250 francs a week). It also meant, however, barring the possibility that Jewish manufacturers would employ cheap Arab labor.⁵⁵

In order that the diamond-cutting industry in Palestine would not become competition for Belgium, antagonize the Belgian Government, and thereby cause friction amongst the producers, the control system according to Mathias ought to carry the confidence and support of all other producers and assure that Belgian diamond producers would continue to work with the producers in the British Empire. Practically this meant that the growth of the industry in Palestine during the war should be kept within limits. This should be done either by restricting the number of workers employed, by limiting the supply of raw material, by not allowing Palestine to specialize exclusively in small stones, or simply by the government restricting the industry from purchasing rough diamonds from wherever it wished. The restriction of further migration of workers aimed to prevent the antagonism of the Belgian government and the people in the trade. Belgium, Mathias contended, in any case would not permit men of military age to leave the country, irrespective of the question of competition. Thus there should be a limit placed on the number of workmen allowed

to migrate, and natural development should be fostered within Palestine. Finally, Mathias's recommended that in view of the danger of illicit diamond trade by Syrian traders, partly enabled by the proximity to Palestine, the Palestine government should, through its import and export system, prevent attempts to establish a market for the disposal of illicit diamonds. The elimination of the dealers and the introduction of a system whereby the cutters are directly provided with supply from their broker in London, should further assist in this.⁵⁶

In the final analysis diamond experts, who were finally recruited for the project with the Colonial Office and the Palestine government taking care of the necessary certificates, were destined to form an organization of Jewish diamond producers, to be joined also by the existing Jewish manufacturers in Palestine and to adhere to Ben-Ami's regime. In return for being granted this monopoly over all Palestine's current and future diamond manufacturing, Ben-Ami reiterated his commitment to purchase raw material only from the DTC, to bow to any regulation by the British authorities, and to export all polished product to the US. Furthermore, the central principle on which Mathias and the British insisted and Ben-Ami reluctantly accepted, was the limitation of expansion, namely, not to threaten Belgium's postwar recuperation.⁵⁷

In this way the scheme, finalized in spring 1940, not only created a temporary alternative to Belgium, but was incorporated into the Allies' war against the Germans. Accordingly, in late April 1940 the High Commissioner of Palestine Sir Harold MacMichael (1882-1969), ordered that no imports of rough diamonds would be allowed into Palestine but from the Diamond Trading Company and through Hennig & Co. As a prospective buyer of diamonds, the achievement of Ben-Ami's group was to have already in 1940 Hennig & Co. as brokers that obtained rough diamonds directly from the DTC. This should not be considered lightly. The DTC, established in 1934 as a sole selling agency for all diamonds mined by De Beers and its subsidiary companies, was selective in its choice of those privileged to buy diamonds directly from it. The brokerage company (founded in 1890 by Isadore Hennig) was since the establishment of the DTC in 1934 one of the most renowned sightholder companies in mediating between De Beers and its clients, and its association with Palestine and the Ben-Ami group expressed the importance of trust in diamond circles. But it also signaled the political goodwill of the Colonial Office and Ministry for Economic Warfare, both of which were highly suspicious of unreliable brokers during these times of war. George Prins, one of the leading associates in the company, was instrumental in persuading Ernst Oppenheimer to supply Palestine with diamonds. In being promised by De Beers a continuous supply of diamonds, the undoing of Belgian long-

standing resistance to the creation of competitive diamond-cutting centers was now complete.⁵⁸

The British decision to promote the industry in Palestine, not through the representative national institutions of the Yishuv but through the capitalist private sector, was much more dramatic than they had envisioned. For the Colonial Office and the Ministry of Economic Warfare in London, and no less for the high commissioner of Palestine, it was a logical corollary of the British experience with diamond mining in South Africa and Sierra Leone, and of what turned into an imperial tradition of the state associating itself with transnational firms, local chiefs, and entrepreneurs of sorts. Frederick Mathias, who gave the initial shape to the Palestine diamond industry, embodied this transfer of the model. But the decision was also a product of the British eighteen-year-long experience with Palestine politics in which they habituated themselves to indirect involvement and manipulation of religious, political, and economic groups. Why trust the national institutions of the Yishuv when a small group of unofficial entrepreneurs could deliver the best results without the cost (during the current White Paper regime) of supporting a Zionist-oriented project? Why associate the British government with the Trade and Industry Department of the Jewish Agency and thus entangle a project driven by the necessities of the war with Palestine's national politics and Arab opposition? More so, how would it be accepted as legitimate to support an all-Jewish industry while Jewish immigration to Palestine and land transfers in Palestine were barred? Answers to such questions were at the heart of the British move to entrust the diamond project in the hands of Oved Ben-Ami.⁵⁹

Ben-Ami's advantage was that his intermediary position made it possible, much more than formal Zionist institutions, to secure real British control over the private industry. This control was necessary in order to prevent diamonds from reaching the enemy, to maintain controlled and gradual pace of development so Belgium's future return would not be threatened, and in order to promise export to the US for dollars. Centralizing imports and exports and the administrative presence of the British in the organization reflected these goals. And this meant, of course, involvement in the selection of members and control in daily activities. A deeper colonial intervention was marked therefore in the Yishuv's national politics. The fact that the British gave Ben-Ami precedence meant that Yishuv national institutions would lack the power to control the industry, the selection of its members, and its development. It also meant that the founders of the industry, the first experts who established factories in Petah Tikva and Tel Aviv in 1936–1937, were robbed of their independence and would have to seek inclusion in Ben-Ami's organization. The fact that Ben-Ami represented entrepreneurs that had no prior experience in the diamond trade was crucial in this regard because it demonstrated

the British preference for controlled organization over expertise as such. In return Ben-Ami was expected to give the British presence and a sense of control, something that would not have been possible if the entrepreneurs were acting freely and independently and the national institutions were running things. The British, driven by the needs of the war and American dollars, set in this way a precedent—using Ben-Ami as an external force to the Yishuv without for a moment him shirking his Zionist orientations.⁶⁰

The Tishby-Weiss faction was furious at Ben-Ami's triumph. Seeing it as a direct affront to the Zionist Movement, members of the faction exerted pressure wherever they could to have the decision reversed: Joseph Linton approached the Colonial Office in London, Zionist activists appealed to Ernst Oppenheimer in Johannesburg, and Jewish Agency officials petitioned Geoffrey Walsh in Jerusalem. Attempts to influence Oppenheimer to endorse the Tishby-Weiss faction persisted even after the agreement between Ben-Ami and Mathias became known. The outraged Tishby tried to rally the diamond manufacturers already operating in Tel Aviv against what was described as Ben-Ami's imperious and domineering scheme. All, however, was to no avail. The failure of these pressures reflected the new British interventionist style of rule in Palestine. In accordance with the role assigned to Palestine in the larger Middle Eastern scheme of the war against the Germans, the advisors on economic warfare to the Colonial Office and the British functionaries in Jerusalem would not succumb to local political machinations that might endanger the larger scheme of finding a temporary alternative to Belgium. The government functionaries in Jerusalem did not mind very much who was destined to materialize the scheme to find a reliable temporary alternative to Antwerp, and in any case its opinion was less weighty now after few months of war. The fact that Ben-Ami won the day despite mounting efforts exerted by the Jewish Agency in England and South Africa demonstrated the extent of the intervention of the Colonial Office in Zionist local politics. More significantly, in distancing Zionist national institutions from involvement in the diamond industry, the British strengthened the capitalist camp in the Zionist state-building debate.⁶¹

In a wider perspective, the choice of Palestine as an alternative diamond-cutting center to Antwerp demonstrated how the outbreak of the war intertwined with economic interests and European imperial politics, and how private capital and entrepreneurship were thought of by the British authorities as favorable agents. Evidently the latter reflected British economic policy in Palestine since the early 1920s of favoring strong economic sectors so as to reduce the financial burden Palestine exerted on the British taxpayer. However, the designed creation of the diamond industry in Palestine on the eve of the German invasion of the Low Countries pinpointed to actual British intervention. It would now provide a facilitating

framework for the industry and it would be deeply involved in shaping its organization and its organizational culture.

The agreement between the Colonial Office and the Ministry of Economic Warfare on the British side and the entrepreneurs in Palestine that the industry would be open only for Jewish manufacturers and workers was not a rare understanding in the British Empire. State and capital agreed here formally not only on maintaining an ethnic occupational tradition but also on ethnic segregation and Arab exclusion, which impacted labor market tensions between Arabs and Jews. The diamond cutters were therefore to become Britain's and De Beers's "special natives," similar to the tribal groups and chiefs chosen to mine diamonds in Sierra Leone by the British-backed Selection Trust company. The Jews were tasked with a particular role, and relying on them was based on the perception of their historical occupational niche and on the application of the ethnic trust system in trade to production itself. In this way a complex coalescence of interest was created by Britain and Zionism, in which Palestine was serving the needs of the war by replacing paralyzed Belgium on the one hand, and Britain was serving the economic foundations of the Zionist polity in Palestine on the other. Much of what was happening in the workshops closely followed the vicissitudes in these relations.⁶²

Furthermore, the coalescence of international and local interests that in spring 1940 began to transform the small number of workshops in Palestine into a full-fledged diamond cutting and polishing industry indicated a shift in the structure and dynamics of the industry. Up to the war most developments in the diamond industry and its world spatial location occurred as a result of geological findings, movements of finance, state-firms cooperation in investment, and migrations of know-how and skill. Now it was a designed creation, a state-sponsored planning to artificially reallocate an industry as a temporary wartime measure. This quality of the Palestine diamond industry determined British protection and continuous wartime involvement, an economic parenthood that would be undone only by later political events. From a long-term perspective it demonstrated the deep involvement of colonial powers since the 1870s in enabling the diamond industry to overcome the stumbling blocks like wars, regime change, and population movements that it occasionally encountered.⁶³

The Palestine diamond industry was thus established at the nexus of three momentous enterprises: the British war effort, which it was to serve financially, industrially, and as a controlling countermeasure against the German diamond industry; De Beers's economic survival, for which it was a temporary alternative to the occupied Low Countries; and the Zionist project, which saw it as a means of industrializing an agriculturally dependent town, saving the persecuted Jews of the Low Countries and developing a local, private, and Jewish-only industry. Historically, therefore,

the laying of an infrastructure for a diamond industry in 1937–1940 represented the maturation, within the climate of world war and local national conflict, of the cooperative efforts of the Mandate government and Jewish capital. While the former was guided by a novel interventionist approach, which would become extremely conducive to the Zionist economic build-up, the latter was chartering new avenues of capital's influence on Palestine's social reality. That the Colonial Office and the Palestine government enabled that novelty would prove to be one of Mandate's long-lasting legacies. The next chapter shows how this presence would find an expression also in the organization of the diamond manufacturers.⁶⁴



Illustration 1.1. Alamz diamond factory in Netanya, 1944.

Source: Government of Palestine, *Palestine Trade Catalogue*. Part IV. Jerusalem, 1944.

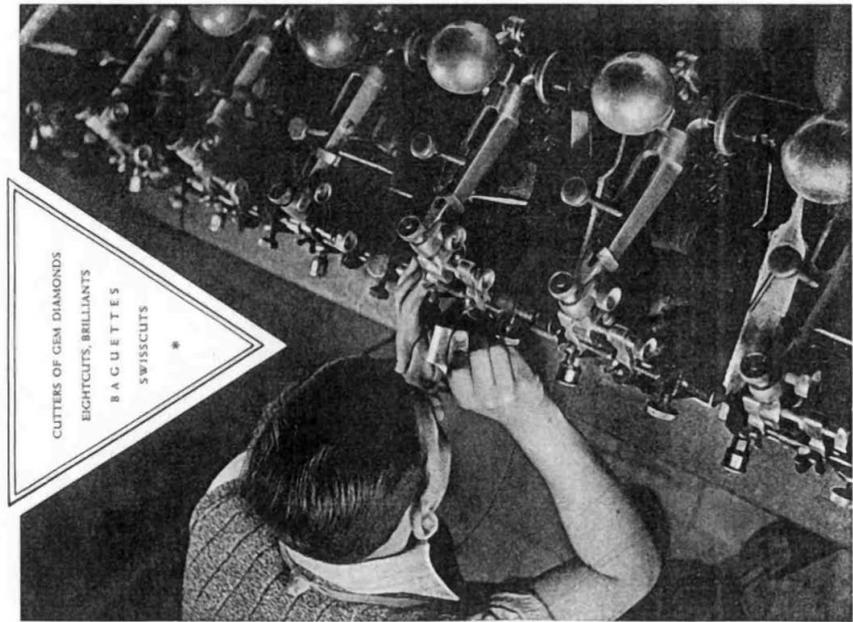


Illustration 1.2.
Feldman diamond
factory in Ne-
tanya, 1944.

Illustration 1.3.
Diamond cutting
at Yahalomim
(Pickel) factory in
Tel Aviv, 1944.

Source: Govern-
ment of Palestine,
*Palestine Trade
Catalogue*. Part IV.
Jerusalem, 1944.

