

# Burnishing the Rough

## *The Relocation of the Diamond Industry to Mandate Palestine*

The birth of the Israeli diamond industry in the 1940s was a watershed event. While all the efforts to create a diamond cutting center during the first third of the 20th century failed, in the early stages of World War II it suddenly emerged and within a few years turned into a world-scale diamond production center. It was during the war and the period that followed immediately after that the entire edifice of the industry was shaped, making diamonds into one of the central exporting branches of the Palestinian and later Israeli economy and often affecting what had been going on in the diamond industry around the world.<sup>1</sup> However, it changed more than the traditional Eurocentric map of diamond cutting and trading centers.

Capitalism – as a system of ideas and practices – had been advancing in Palestine since the end of the 19th century. It surged between the two world wars following accelerated industrialization, and it peaked during the Holocaust period. In this process, the foundations were laid for the strength of private capital in Palestinian and Israeli society, and the diamond industry had a crucial role to play in it. Its economic centrality, its tremendous profits, the immense income of hard currency it accrued to the sterling bloc, its managerial and business practices, its approaches to workers unions, its effects on urban society, and last but not least its international networking, even during the war, clearly placed the diamond industry at the center of Palestine's and the Yishuv's capitalist formation.<sup>2</sup>

More significant perhaps was the association of this dramatic emergence with the state: the British colonial Mandate state and the embryonic state institutions in the Yishuv. The notion of state and state building was advancing in the region – as is well known – during the Ottoman period. But in Palestine it turned into a formative factor, mainly following the immense institutional and economic intervention of the British in Palestine and in the wake of the wide range of institutional ac-

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1. M. Szenberg, *The Economics of the Israeli Diamond Industry* (New York: Basic Books, 1973); D. De Vries, *Diamonds and War: State, Capital, and Labor in British-Ruled Palestine* (New York: Berghahn Books, 2010).
  2. Y. Estheron, "The Development of the Diamond Industry in Palestine during World War II" [Hebrew], (seminar paper, Department of Economics, The Hebrew University, Jerusalem, 1975).

tivity in the Jewish sector during the Mandate. In the process in which Palestine became acquainted with state power and state building, the mutual and reciprocal relations between the state and private capital had a crucial role to play. This mutual use that state and capital were making of each other greatly intensified during the 1940s, and again it was here that the diamond industry had a major impact. It was, if you like, one of the main sites in which relations between state and capital were learned, thought of and practiced, and by and large bequeathed to the post-1948 bureaucrats and industrialists.<sup>3</sup>

I emphasize this last point because of the tendency in the literature on diamonds and their political economy to stress their enclave-like and exclusionary character at the expense of the multifaceted institutional frameworks which allowed the Jewish presence in the diamond industry to happen and persist. The pervasive presence of Jews in financing diamond mining in Africa, in diamond cutting in the Low Countries and beyond, and in the trading halls of the diamond bourses created a perception of ethnic exclusivity that failed to appreciate the cultures of negotiation they developed with other ethnic and religious groups and the frequent social proximity that these exchanges produced. Moreover, the long-standing autonomous character of the way business has been done in the diamond trade, its trust- and reputation-based rituals, not to mention its communal and relational corollaries, have so fascinated historians and social scientists that they have tended to underestimate their penetrability and diversification over time. The diamond industry never fully opted out of social frameworks and state structures. On the contrary, they mutually fed on each other, and the story of the relocation of the industry from the Low Countries to 1940s Palestine well bears this out.<sup>4</sup>

Relocation can be a misleading term, as nothing moved in its entirety into just one place. Dispersion could be better used to describe the splintering of the traditional diamond centers, the creation of their industrial diasporas, and the often forgotten fact of their temporary and transitional nature. However, the important point is that the diamond industry in Palestine was part of a historical continuum of dislocation and relocation of know-how, of craft traditions, and of occupational cultures.

After years of small scale development in diamond trading and manufacturing, the diamond industry took off in the Netherlands in the last third of the 19th century. Following World War I and the Great Depression it declined, and its own exten-

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3. Government of Palestine, *Report of a Committee Appointed by Government to Examine the Question of Post War Regulation of the Palestine Diamond Industry*, written by Geoffrey Walsh (Jerusalem 1946).
  4. S. Kanfer, *The Last Empire: De Beers, Diamonds, and the World* (New York: Farrar Straus Giroux, 1995); B. Richman, "How Communities Create Economic Advantage: Jewish Diamond Merchants in New York", *Law and Social Inquiry* 31 vol. 2 (2006): 383-420.

sions in nearby Antwerp and distant New York gradually surpassed it.<sup>5</sup> In the 1920s and 1930s, Antwerp became hegemonic, but after the Nazi seizure of power, a German diamond industry quickly emerged which not only surpassed the Dutch one but also turned into the lifeline of the Belgian merchants and producers. The outbreak of the Second World War, the German occupation of the Low Countries, and the Holocaust gave this “dislocated” history its dual dramatic turn: first, in multiplying the diamond diasporas in Latin America, New York, the United Kingdom, South Africa, and Palestine; secondly, in the eradication of thousands of Jewish diamond experts, manufacturers, and workers. After the war, the wanderings of the industry continued. Palestine entered a crisis, Antwerp recuperated, the Dutch first made a small recovery and then further recovered, and Germany rose again, in particular in the American zone of occupation until it was boycotted in 1949-50.<sup>6</sup>

In this winding continuum, Jews had of course a central role, quite reminiscent of ethnic occupational groups that fill in all kinds of niches in today’s global economy: first, because of their longstanding presence in diamonds; secondly, because war, fascism, and war again made them move, disperse, and play formative roles in creating centers of production; and thirdly, because of the destabilization which followed the transfer. This was clearly borne out in the impact that the post-1945 return of Jewish refugees to Antwerp and immigration to Palestine had on the diamond cutting and trading centers they created in 1940-41. Any exploration of the modern diamond industry must take into account these inherent border-blurring movements, its strong dependence on Jews, and its deep exposure to wars, ideological extremism, and political change. However, these trajectories are largely structural. They tell us only part of the story. What was moving, how it moved, and what was actually taking place in these border crossings – these tell us a lot more, and also much beyond the diamond industry. It was not just relocation that came to characterize the transnational history of diamonds but also the changes in business and occupational cultures that the relocation brought about.<sup>7</sup>

For the planners of the new diamond industry, Palestine was originally thought of as a mixed venture: it was to be an alternative to Antwerp and a warfare lever against Germany. It was meant to save Jews, but also from the British point of view to gain hard currency for the sterling bloc. From the viewpoint of the local entrepreneurs in Palestine who drew all the threads together, it aimed to industrialize

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5. J. Arnon (van Amerongen), “The Jews in the Diamond Industry in Amsterdam”, in Dan Michman, ed., *Dutch Jewish History* (Assen u.a.: Van Gorcum, 1984), 305-13; S. Edelman, ed., *The Jews of the Diamond City – Amsterdam: A Legacy of 400 Years* [Hebrew] (Ramat Gan: H. Oppenheimer Diamond Museum, 1988).
  6. M. Berman, “The Location of the Diamond-Cutting Industry”, *Annals of the Association of American Geographers* 61, vol. 2 (1971): 316-28.
  7. D. Federman, “Diamonds and the Holocaust”, *Modern Jeweler* (May 1985): 41-46.

Netanya. Considered a longstanding Jewish occupational niche, the diamond industry could well fulfill these multiple functions. This was particularly the case in Palestine, which was distant from the main theatres of war, controlled by the British, turned recently into a supply center for the war effort, and above all a strategic post for hampering the smuggling of stones from Africa and Egypt to Syria and Istanbul and from there to Germany. This coalescence of interest brought together old partners – the British Empire, the De Beers diamond cartel, and Jewish diamond circles – with private entrepreneurs and municipal activists in Palestine. The Zionist movement as such – that is, the Jewish Agency and its emissaries in Amsterdam, Antwerp, and London – were tied in only partially, thus allowing the British to cooperate with Jewish private capital without compromising their White Paper policies curtailing Jewish immigration to Palestine and land transactions. The notion that an ethnic group with a presumed occupational specificity could serve British and Allied interests was a key to the entire migratory project under discussion here.<sup>8</sup>

Once designed and planned, the implication was that the entire operation would be run as a state-supervised monopoly. None of the liberties practiced by the diamond people in the Low Countries would be allowed; manufacturers had to be licensed and had to join an organization, and, most significant of all, the function of the manufacturer was united with that of the merchant and the dealer. All rough diamonds were to be bought directly from the diamond cartel in London, and all polished stones had to be exported, mainly to the USA so as to gain dollars. This functional unity meant two things: that Palestine was created as a center of diamond manufacturing rather than as one of trading; and secondly, that the traditional social and economic divisions embodied in the function of the middlemen were therefore changed. The concentration of manufacturing and organizational power and the deep involvement of the British in making it work were not simply bureaucratic. They meant to make the transplanted industry viable, to have it controlled so that no stones would reach the Germans, and to ensure that the expansion of the industry would be limited so as not to endanger the future recovery of the industry in Belgium. The entire affair was therefore politicized from the start. Excluding the middlemen, even though it was a temporary measure of the war, turned this politicized control into a social act with further social implications.<sup>9</sup>

Adaptation to war conditions did not stop here. As all diamond cutting was to be done in factories, a central feature of the traditional diamond industry was paralyzed – home work and domestic labor. This meant that the apprenticeship expe-

8. E.J. Epstein, *The Diamond Invention* (London: Hutchinson, 1982); C. Newbury, *The Diamond Ring: Business, Politics, and Precious Stones in South Africa, 1867-1947* (Oxford: Clarendon Press, 1989).

9. Government of Palestine, *Report of the Diamond Control Sub-Committee*, written by Solomon Horowitz, John L. Fletcher, and David Andreson, 21 June 1944, Central Zionist Archive, S40/269/1.

rience would cease to be a family affair, something that the Polish and Rumanian immigrant networks in the Netherlands and Belgium had cultivated for quite a while.<sup>10</sup> The know-how of the craft was brought with them, as the Dutch and Belgian experts testified. So did the model relations of the industry with specific banking institutions, as prominent banking figures such as Albert Ehrenfeld expressed. However, a significant component of the social culture surrounding apprenticeship, the immigrant family, and negotiations between Jews and non-Jews in the cities and the villages was cut off. The factory-based teaching of skill followed tradition. So did the *Platzgeld*, the money the apprentice had to pay for hiring table space and tools. However, the concentration on a small number of inductors with workers barred from moving from one factory to another shaped an atmosphere of efficiency and regimentation.<sup>11</sup>

Social engineering followed. The Colonial Office and the Ministry of Economic Warfare on the British side and the local entrepreneurs in Palestine agreed that the industry would be Jewish only. This was quite an unprecedented 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' 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 an interesting 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. If some religious plurality existed in diamonds in Amsterdam and Antwerp, with some interesting expressions in joint trade union activity and collective action in Palestine, the lines were clearly drawn.<sup>12</sup>

Clearly the shaping from above of the industry was greatly facilitated by the

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10. K. Hofmeester, *Jewish Workers and the Labour Movement: A Comparative Study of Amsterdam, London and Paris, 1870-1914* (Aldershot, Hants, UK: Ashgate, 2004); S. Leydesdorff, *We Lived With Dignity: The Jewish Proletariat of Amsterdam, 1900-1940* (Detroit: Wayne State University Press, 1994); S. Lipschitz, *The Amsterdam Diamond Exchange* (Amsterdam: Stadsuitgeverij Amsterdam, 1990).
  11. Y. Mazur, "The Diamond Industry", in *Palestine's Economic Future: A Review of Progress and Prospects*, ed. Joseph B. Hobman (London: P.L. Humphries and Co, 1946), 229-37.
  12. N. Shapira, "Jews in the Diamond Trade and Industry" [Hebrew], *Gesher* 2 (April 1956): 84-104, and 3 (August 1956): 118-35; A. M. Shainberg, "Jews and the Diamond Trade", *Jewish Directory and Almanac* 1 (1984): 301-11; G. Yogeve, *Diamonds and Coral: Anglo-Dutch Jews and Eighteenth-Century Trade* (New York: Leicester University Press, 1978); R. Shor, *Connections: A Profile of Diamond People and their History* (Ramat Gan, Israel: published for the WFDB by International Diamond Pub, 1993).

identity of the capital involved in the project. Because of the swiftness of the German occupation, the capital and diamonds expected to arrive from Belgium was too small, and capital owners and manufacturers had to be selected locally. This diversified the composition of capital in the diamond industry, mixing in many with no background in diamond-making or trading. The owners and manufacturers, many of whom totally lacked background in and knowledge of diamonds, were therefore dependent on the monopoly: on the British who gave them licenses, the cartel that sent them the rough stones to cut and polish, and the manufacturers' organization presided dictatorially by Oved Ben Ami.

We reach now the more interesting part. In contrast to tradition, Palestine asked De Beers to specialize in one type of stone, namely the small stone or Sand. This used to also be Antwerp's specialty and lever in surpassing Amsterdam, but it also catered to the need of the diamond cartel to dispose of large reserves of such stones created by the paralysis of the Low Countries. The specialization in the small stone turned Palestine into one of the world's leading suppliers, but it also narrowed the spectrum of skills held by the traditional cutter. Moreover, in the Low Countries it took at least three years to induct an apprentice cutter and polisher, and apprenticeship usually covered all types of stones and all cutting and polishing skills. In Palestine, the labor process was fragmented now into a system called the Chain or Phases, in which the apprentice learned just one phase of the cutting and polishing process. This "Taylorization" of production enabled the shortening of the learning process to three to six months and the quickening of the entry of the cutter to production and earning.

The chain division of the labor process which made the worker perform just one part of the diamond cutting process did away with the integral character of the worker, and in deskilling the traditional worker seriously impinged on the autonomy the diamond workers enjoyed in their traditional setup in the Low Countries. Taylorization could add to profit and to quick expansion, but it could also contract the knowledge and multiple skills of the worker. His body became the extension of efficiency, wrote one diamond worker in 1943: "The specialization of the worker in one part of the diamond processing which acquires the worker dexterity and great speed in a narrow and limited part of the profession, and considering that this is piecework, reduced the worker to the level of a machine without him being able to acquire for himself full and wide knowledge of the profession." Together with the shortening of the apprenticeship, this further weakened the prewar cultural correspondence between the cutting centers of Antwerp and Netanya.<sup>13</sup> An entire work

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13. See the articles in the bulletins of the diamond workers: *Hasapir* (The Sapphire), information bulletin of the first diamond factory in Jerusalem, 1943 (in Hebrew); *Hatzohar* (Aperture), the bulletin of the diamond workers in Jerusalem, 1943 (in Hebrew); and *Niv Poalei Hayahalomim*, bulletin of the Histadrut Diamond Workers' Union (in Hebrew).

culture was undergoing a transformation. Notions of time, of the wholeness and totality of the skill, of the character of those initiated into the craft and of the traditional solidarities created by the old system – all these were changing now, blending technological change and efficiency for the sake of profit maximization with Zionist time considerations.<sup>14</sup> The “Taylorization” of the labor process not only accentuated the supplanting of home work by the factory but also accounted for a new kind of paternalism in the diamond industry which was less known in the Low Countries. First, it meant that labor unionism and representation of the workers would be weakened and the longstanding consensual relations between employers and unions in the diamond industry were altered. Secondly, it was a paternalism based not on the owner and employer just as a capitalist, but also as the source of inspiration for the linking of capital and nation, and the harnessing of capital accumulation to the Zionist cause. This merging of capitalist efficiency with considerations of time and international competitiveness interested the Zionist economists who propounded the association between Herzl and Taylor, between national home for the Jews and efficiency, and could thus be referred to as the Zionization of the labor process. It also attracted the attention of the diamond people in London, some of them Jewish Belgian exiles, who feared that Palestine’s consequent specialization in small stones would not only surpass Belgium’s prewar supremacy but practically hamper its postwar recuperation.<sup>15</sup> These adaptations did not remain uncontested. Experts and manufacturers attacked what seemed to them not only a change of traditions but a dangerous turn that might make the polishing of diamonds in Palestine a temporary episode. The “deskilling” of the traditional diamond worker seemed to many not just to be an ominous harming of the craftsmen and the craft but also to harbor potential harming of the quality of production. Diamond merchants and dealers protested the interdiction of their free activity and turned to informal dealings, the black market, and the underworld of private commercial clubs. Many feared that weakening workers’ representation missed the great potential in consensual employment relations demonstrated in the Netherlands and Belgium. The narrowing of production to the small stone seemed self-defeating in the long run, and there were those who looked at the “Taylorized” chain system as a contamination of a craft which has been developing its managerial and production techniques for many years.<sup>16</sup>

14. H. Goldmann, *The Diamond and Its Making* [Hebrew] (Tel Aviv 1946).

15. V. Laureys, “The Belgian Government in Exile in London and the Jewish Question during the Second World War”, *Historical Research* 67, no. 163 (June 1994): 212–23; E. Laureys, “De joodse diamantdiaspora en de versnippering van de Antwerpse diamanthandel en -nijverheid tijdens de Tweede Wereldoorlog”, in *Jaarboek van het Nederlands Instituut voor Oorlogsdocumentatie* (NIOD), 2003.

16. Histadrut, *The Diamond Worker in Palestine*, submitted to the International Congress of Diamond Workers by The Executive Committee of the General Federation of Jewish Labour in Eretz-Israel

This myriad contestation joined three significant tensions that the transplantation of the industry to Palestine provoked. The first originated with diamond circles among the Belgian exiles in London who feared that Palestine's expansion would compromise the capacity of the Belgians to recover their industry after the war. The second was institutional. Zionist institutions objected to the independence of the industry and to the intimate ties with and dependence on the British. The dictatorial running of the monopoly of diamond manufacturers by Netanya's mayor was harshly criticized by both the Jewish Agency and many diamond manufacturers in Tel Aviv who longed for the liberties they enjoyed in Antwerp. The third tension was less centered on power but concerned a no less powerful issue: for many in the Yishuv, the diamond industry seemed anathema to their social perceptions. After all, many claimed it was a luxury industry, it catered mainly to the American middle classes, it had not much to do with land and building, and, as some described it, there was something deceptive in the glitter of diamonds. It was reminiscent of the association of Jews with big money invested in diamond mining and with great profits, with social self-enclosure, and with a variety of stereotypes which contributed to Jewish social alienation and delegitimization. It was, as some said, a bastard, and to become kosher it must lend itself to Zionist use and institutional state building control.<sup>17</sup>

The diamond manufacturers and the workers battled against these images. Their argumentation focused on the industry's high productivity and great income from foreign trade, both part of the tremendous boom Palestine was experiencing during the war. They were part of the Allies' war effort and had a role to play in absorbing refugee cutters and polishers from the Low Countries otherwise turned into forced labor in diamond cutting in Bergen-Belsen or exterminated. They advanced the moral legitimacy of the Zionist economy in Palestine to inherit the German industry, and they played a key role in relaxing economic competition with Belgium through weaving international connections among the manufacturers and the diamond unions. The diamond industry therefore imagined a world in which Zionism, despite the war and the Holocaust, did not reject its Jewish and European pasts. In practice, the industry earned its social legitimacy through its tremendous economic success. And indeed, measured in terms of production, absorption of new workers, technological advances, and of course marketing and gaining American

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(Tel Aviv 1946); H. Boas, "Jews and the Amsterdam Diamond Trade", *Studia Rosenthaliana* 26, vols. 1/2 (1992), 214–22; E. Laureys, *Meesters van het diamant: De Belgische diamantsector tijdens het nazi-bewind* (Tielt [Belgium]: Lannoo, 2005).

17. O. Ben Ami, "The Diamond Cutting Industry in Palestine: A Report Presented to His Majesty's Principal Secretary of State for the Colonies", October 1942, The National Archive (UK): PRO CO 852/457/2.



dollars, no one doubted the enormity of the material success, let alone its contrast to what was going on in Europe.<sup>18</sup> Moreover, the association of the industry in Palestine as an alternative to Antwerp and justified inheritor of the German diamond industry turned the material advance of the industry into a solid presence in world diamond production and a significant part of the industrial boom Palestine was experiencing.

The liberation in autumn 1944 and the actual ending of the war a few months later began however to reverse the fortunes of the industry and exposed the fragility of the adaptation. Once hostilities were over, the historical energies of relocation in the diamond industry reemerged. The trigger was of course Belgium's return to business but more significantly the reversion of both the British and the diamond cartel to supporting Belgium's recuperation of its world hegemony. Jewish refugees were now called back to Antwerp (though not many returned), the industrial diasporas were to pay back their gains from the German occupation of the Low Countries, and postwar economic nationalism ushered in a fierce competition over the American markets for diamonds. Among the manufacturers in Palestine, the joy of liberation was mixed now with great anxiety. After a few more months of Belgian recuperation, a crisis hit the factories.<sup>19</sup>

Once the war ended, the diamond industry in Palestine was again in turmoil. If war conditions shaped the industry in an abnormal way, what was normality now that war conditions had ended? Abnormality was defined in many ways: the quick expansion, the fragmentation of the labor process, the enmity between private capital and the Jewish Agency, the contrast between the boom in Palestine and the fate of Jews in Europe, even the unending labor strikes which came to characterize the industry. Above all, abnormal development was the distancing of the industry in Palestine from tradition, the centralized nature of power, production, and management, and the threat that Palestine's unlimited expansion of production and gain posed on the recovery of Antwerp.

The debate on what was – and should be – a normal diamond industry produced an in-depth investigation at the end of 1945, conducted by the British and occasioning dozens of witnesses from within and outside the industry and ending with the need to normalize the industry by deregulating it, to liberalize controls, and to free the constrained energies of the industry to orient themselves independently in

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18. O. Ben Ami, "Die Diamantindustrie in Palestina", *Schweizer Goldschmied* 5 (May 1948), 32-33. See also D. De Vries, "'The Bastard is Rendered Kosher': Diamonds, War, and Legitimization of Private Capital in Mandate Palestine" [Hebrew], in *Essays in Honor of Anita Shapira*, ed. M. Chazan and U. Cohen (forthcoming).

19. A. Ehrenfeld, "Problems of the Diamond Industry in Palestine", sent to D. Horowitz at the Jewish Agency, 24 September 1946, Central Zionist Archive, S40/269/1.

the competitive conditions of the postwar era.<sup>20</sup> However, the real change came when the recovery of Antwerp reached the stage in which it started to cause the collapse of the diamond diasporas created during the war. In parallel, the American market for finished stones contracted greatly following a change in consumption patterns, and the competition between the diamond cutting centers over the American market climaxed. Palestine too entered a period of crisis, and between the end of 1946 and the first half of 1947 it almost totally collapsed. The collapse of the industry was no less dramatic than its emergence. Many of the cutting and polishing factories closed down, masses of diamond workers in Netanya and Tel Aviv were forced to seek another occupation or became unemployed, and the central role the industry held in the country's foreign trade and in the financial and social prospects of the investors, owners, and experts that populated the industry almost dissipated.

A quick glance at what was changed reveals the reversal of the picture we had on the emergence of the industry early in the war: deconcentration of power, great financial loss, bankruptcies, inability to protect the industry, black market, and the reemergence of home industry, domestic labor, and illegal import and export of diamonds. Moreover, while labor strikes disappeared, the power of the unions increased, with the Histadrut practically buying diamond factories or simply merging with private capital to form producers' cooperatives run jointly with the workers. In these conditions of crisis and pending collapse, the debate over normality now took a new turn. To survive, the industry in Palestine would have to take into account not just Belgium's recovered world hegemony but also the revival of the German cutting industry, the backing the diamond cartel gave Antwerp, and, last but not least, the pending departure of the British from Palestine and their support of the diamond industry.

The solution came from two directions. First, a series of visits were made to Belgium in 1946 and 1947 by both diamond experts and advisors from Palestine and London. In these visits, the Belgian models of management of the diamond industry, relations between manufacturers and workers, and a variety of other issues were learned and discussed. Secondly, in Palestine itself, a process of tying the diamond industry to a new state authority, namely the Jewish Agency and soon the state of Israel, was taking place, largely under the guidance and direction of Albert Ehrenfeld and Jaap van Amerongen, in which the models of operation traditionally practiced in prewar Amsterdam and Antwerp and revived in particular in Antwerp after 1946 were adopted.<sup>21</sup> The historical memory of the traditional diamond cutting

20. See the articles in *Hayahalom* (The Diamond), bulletin of the Palestine diamond industry (in Hebrew); and *Hayahalomai* (The Diamantaire), bulletin of diamond experts in Palestine (in Hebrew).

21. M. Vermandere, *Adamastos: 100 jaar Algemene Diamantbewerkerbond van België* (Antwerp 1995); H. Binneweg and M.J. Walgrave, *Beurs voor Diamanthandel: A Hundred Brilliant Years 1904-2004* (Antwerp: Archief en Museum van de Socialistische Arbeidersbeweging (AMSAB), 1995).

centers would be revived now again as a point of departure for another cutting center – albeit in competition with the mother center but also as a barrier against the Germans.<sup>22</sup> After all, Palestine was demanding after the war to be considered not as a competitor to Belgium but an inheritor to the German diamond cutting industry which threatened Belgium before the war.

This reversion to traditional models of operation would however be deeply influenced by the backing the diamond industry in Israel would be enjoying now in the late 1940s and early 1950s, a backing designed and guided by the same figures that knew the traditional models so well. The backing that the state of Israel gave the industry and the nature of that backing shaped by Ehrenfeld and Van Amerongen further incorporated private capital in Zionist building and state-making. Later it would be expressed in the expectation of the state that the industry should absorb immigrants and build a diamond industry in developing towns.<sup>23</sup> The functions the industry was endowed with early in the 1940s were now reproduced, albeit in a different guise. In the Netherlands and Belgium, the massive presence and activity of Jews in diamonds facilitated their incorporation in social and political life. In early 1940s Palestine, the British made use of this ethnic dimension by entrusting the diamond industry with fulfilling imperial and military functions. A decade later, the state of Israel asked to transform these relations into a model of reciprocity between state and capital.<sup>24</sup>

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22. R. Viala, "Labour Conditions in the Diamond-Cutting Industry", *International Labour Review* 66, vol. 4 (October 1952), 354-78.
  23. A. Ehrenfeld, "Israel Diamond Industry", *Israel Economist Annual*, 1952 (Jerusalem 1953), 137-40; Y. Arnon, "The Diamond Industry", *Haaretz*, 8 June 1955; D. Einhorn, "The Development of the Diamond Industry" (MA diss., Baruch School of Business and Public Administration, City College of New York, 1957).
  24. R. Berger, *Trust, Exchange and Social Embeddedness: The Case of the Israeli Diamond Industry* (PhD thesis, City University Business School, London, 1998); C. Even-Zohar, *From Mine to Mistress: Corporate Strategies and Government Policies in the International Diamond Industry* (Edenbridge, Kent: Mining Journal Books, 2002; new edition London 2007).