

shining example

The South African Diamond and Precious Metals Regulator aims to keep trade above board. KERRY DIMMER speaks to CEO Levy Rapoo

It has been almost 150 years since the Eureka diamond was discovered in South Africa. But it was not until the 1940s, when an international group drove the 'A diamond is forever' campaign, that these gems became one of the world's most highly desired possessions.

It was probably one of the most effective global marketing campaigns ever, driving demand for a stone that became synonymous with eternal love and commitment.

But as diamonds became more precious and demand heightened, militias in Africa saw the opportunity in taking advantage of an unregulated industry to fund the acquisition of weapons for their bloody campaigns. Rebels forced people into slave-like labour camps to extract the gem for their cause, giving rise to the terms 'conflict diamonds' and 'blood diamonds'.

International outrage against the atrocities associated with conflict minerals began to peak in 1998 and drove a number of Southern African states to meet in Kimberley, South Africa, in 2000 to find a way to halt the flow of conflict diamonds into legitimate

diamond markets. The result was an adoption by the UN General Assembly, of a resolution for a certification scheme that would indicate a diamond's point of origin. It became known as the Kimberley Process Certification Scheme (KPCS).

KPCS was implemented in 2003 and its membership accounts for 99.8% of global production of rough diamonds. Next year, South Africa will be hosting the 10th anniversary celebrations of the Kimberley Process.

'The effectiveness of the KPCS has given the diamond industry credibility for legitimate traders and has motivated enormous change,' says Levy Rapoo, CEO of the South African Diamond and Precious Metals Regulator (SADPMR).

The SADPMR is considered the oracle on the African continent for counsel on the trade of diamonds, gold and platinum, and has been tasked by the South African Department of Mineral Resources to ensure implementation of the KPCS in the country, and compliance with the Diamonds Act of 1986 and the Precious Metals Act of 2005.

The SADPMR is also mandated to effect the transfer of skills, provide

development support, create an environment for equitable access to resources and, importantly, drive local beneficiation.

This is in line with South Africa's priority call for increased job creation, says Rapoo. The SADPMR is now looking at ways to ensure that beneficiation stays largely within the country's borders and is sustainable. 'But beneficiation from diamonds, for example, cannot be realised unless there is an abundance of available rough diamonds for traders to buy and beneficiate in South Africa.

'Partnerships with industry, across the continent, are therefore crucial to us to ensure that we are the first link in the supply chain and can thereby motivate and generate all the subsequent processes – from refining to polished end product, usually in the form of jewellery.'

Rapoo points out that this is not an easy path, given that India and China pretty much dominate in terms of diamond beneficiation.

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financial crisis, but it is evident from media reports that Europe is entering a recession and we need to strive to promote South Africa's status as one of the biggest, most comprehensive sources of diamonds, whether they be rough, polished, cut or set in metal, and that includes knowledge and expertise.'

By October 2011, the SADPMR had increased its tender viewing rooms at its Diamond Exchange and Export Centre (DEEC), from 12 to 30, largely as a result of the move to bigger, more secure premises within the Jewel City precinct in central Johannesburg. This move was also motivated by the need to attract African countries to utilise these facilities for marketing their diamonds.

'It helps too that South Africa is infrastructurally sound in terms of its air transport, telecoms and banking,' says Rapoo. 'Our relocation therefore means a great deal to the continent as a whole because we can now offer a state-of-the-art trading facility. We also have enormous knowledge of the market and can provide highly qualified diamond valuers. So we attract the most competitive bidders.'

Within three months of relocating, the DEEC diamond viewing rooms were fully booked for 2012, clearly indicating that traders are happy with the security processes at Jewel City.

The SADPMR is also gearing up to launch a global internet marketing service that will allow buyers an opportunity to view polished diamonds prior to a physical viewing in Johannesburg.

However, by far the most vital diamond and precious metal trading tool is a licence, which can only be granted by the SADPMR after meeting requirements set out in the legislation. The SADPMR issued 389 licences in 2010, bringing the number of licensees registered to more than 1 500.

Currently, South Africa exports more than 9.2 million carats of rough diamonds with an approximate value of more than US\$1.2 billion, mainly to Belgium, the UK and Israel. Imports for 2010 were in excess of 560 000 carats of rough diamonds, worth more than US\$471 million. Over the course of 2010, beneficiators purchased an estimated 1 179 941 carats of rough diamonds, which translates to 13% of South Africa's mine production.

Gold beneficiation is not to be sniffed at, given that 17 tons, of the total South African gold beneficiation of 22 tons, was used in the minting of coins and bars, the balance for jewellery manufacture. Platinum beneficiation is dominated by the manufacture of catalytic converters (used mainly in the motor industry to clean toxic exhaust emissions), accounting for some 32 tons, with a further one ton converted into jewellery.

Rapoo will tell you that diamonds are a tricky commodity, given their size and resulting ease of smuggling. And he should know, as he's been in the industry since 1977, predominately as a mine surveyor. He has grown up with mineral regulation, his career paralleling that of South Africa's development of mineral precedents.

Rapoo played an important role in the North West and Limpopo provinces in rolling out the implementation of the Mineral and Petroleum Resources Development Act of 2002, wherein the process of substituting the old South African regime with a new equitable system called for radical transformation of mineral development.

'This industry has its own unique challenges,' says Rapoo. 'Although there remain deviants in the industry, I have experienced first-hand the true value and impact of regulation, which, when applied, can eliminate the criminal element. I believe that ethical trade is the only solution to the guiltless acquisition of precious stones and metals.'

'It is only through regulation that South Africa is able to maximise the benefits derived from its mineral resources, and in so doing create job opportunities while simultaneously contributing enormously to the country's GDP.' **MD**