

## COVER INTERVIEW

# jewel in the crown

Levy Rapoo, CEO of the South African Diamond and Precious Minerals Regulator, says the country is the ideal host of platforms for mineral importers and exporters. **BY KERRY DIMMER**

### 'We have proven our worth and value

as a regulator and custodian of minerals but by having trading operations under the same umbrella, we are not working to our strengths,' says South African Diamond and Precious Minerals Regulator (SADPMR) CEO Levy Rapoo.

'The time has come to take the SADPMR to the next level,' he says.

Rapoo is alluding to having a diamond bourse in South Africa, which will be the first in sub-Saharan Africa. Up until recently, the SADPMR has – through its Diamond Exchange and Export Centre (DEEC) – managed to trade from its base at the Jewel City precinct in Johannesburg. In addition to attracting not only African countries to the market, the high-security conditions and excellent facilities are proving to world traders that South Africa is up to the task of providing highly credible and respected platforms for engaging importers and exporters of minerals.

'The newly revamped DEEC has been a phenomenal success,' says Rapoo. 'It has state-of-the-art facilities, ample viewing rooms and increased security measures. In addition, we have introduced a polished diamonds tender whereby the DEEC markets and showcases polished diamonds for members of the public to view and bid on.' This endeavour has heightened the interest

of both the regulator and the South African Department of Mineral Resources in exploring the establishment of a diamond bourse in the country.

'There are enormous benefits to be had from splitting trade from the regulatory role,' says Rapoo. 'A bourse will motivate the best margins on investment, it will ensure that buying and selling rough and polished stones will be in line with market trends, and might even set them. Suppliers and buyers of choice will be attracted to form partnerships, and markets will be streamlined under regulated and respected rules of engagement.'

Antwerp, with four diamond bourses, is the centre of the global diamond trade, and Rapoo – who is a planning and research enthusiast – has embarked on a lengthy visit to the Belgian city (as well as its Shanghai counterpart) to explore bourse operations and to glean information about the liabilities and advantages of hosting such exchanges. This will not be Rapoo's first exposure to bourse operations given that he is South Africa's representative on the board of the Dubai Diamond Exchange.

Rapoo believes South Africa will be the ideal host for a diamond bourse. Aside from having access to some of the world's finest diamonds and precious stones, it is in the enviable position of being able to draw on

more than a century of heritage as the source of some of the world's most famous and pure stones, most recently the 29.6 carat blue diamond found at Petra's Cullinan mine. It follows from another notable discovery last year of a 25.5 carat blue stone, also from Cullinan, which sold for US\$16.9 million.

'There are other incredible diamonds coming out of Cullinan that prove the potential still to be realised,' says Rapoo. 'This also is an indication that diamond production is going to be with us for many more decades.'

'We are also hearing of new deposits in Botswana, and De Beers remains very active there. There may well be other large deposits on the border between South Africa's Limpopo province and Zimbabwe.'

'There is also a selection of gemstones that aren't being taken seriously, like tiger's eye and quartz. In Russia, for example, there are precious stones that are considered more desirable than diamonds.'

'We have the potential, through the creation of a bourse, to create high-value markets for these stones and right now, in a slow global economy, we should be looking at ways to broaden our reach.'

One of the other marketing angles that Rapoo believes needs promoting is South African jewellery manufacture. 'We import far too many designs and in some respects

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PHOTOGRAPHY ANDREAS ESELENISM/imagos

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this side of the industry is abused. It's extremely important to take our indigenous stones – mixed and set with our silver, platinum and gold – to market.

'With a bourse, this might present a different picture. It will certainly promote robust and healthy jewellery manufacturing because the focus will solely be on trading.

'Jewellery is an affordable proposition. Silver settings are becoming increasingly popular and even if people don't really understand the value of the metal and stones used, the appeal of a bespoke piece is what makes ownership desirable and, of course, escalates demand.'

This also speaks to beneficiation, which remains a major focus of the SADPMR. In a democratic environment such as South Africa, there is no reason for citizens not to benefit more from an industry that has a global reach.

'We shouldn't be outsourcing our stone polishing to India, for example, despite the fact that it does provide cheap labour. We need to motivate for our tenders to be more competitive and more focused on beneficiation.

'We should, ideally, not be allowing our diamonds to be taken out of the country for processing when we have all the expertise, tools and experience right here to maintain a full supply value chain.'

Another area that the SADPMR is looking at is to identify all producers, and not just

in South Africa either. 'Part of our marketing strategy is to ensure that everyone understands the range of services we offer and I don't believe we have explored this enough. Although our bilateral agreements with African countries, especially SADC, are strong, we need to encourage our neighbours to stay local and bring products to the South African market.'

Should an exchange be situated in South Africa, it will most likely become a member of the World Federation of Diamond Bourses (WFDB). Currently membership stands at 29, with trade in both polished and rough diamonds.

With cutting centres notably in Tel Aviv, Antwerp and Johannesburg, plus other major centres across the globe, the WFDB puts into context the legal framework and enactment of regulations.

Along with membership comes a WFDB trademarked logo to indicate that members abide by a code of best practice principles.

The power of the WFDB is such that decisions effected by one bourse can be enforced across the WFDB's membership base to the benefit of the entire global industry. Issues the WFDB addresses include child labour, health, disclosure/non-disclosure, conflict diamonds, laser drilling, fracture filling, and even the removal of laser inscriptions.

Rapoo remains stalwart in his conviction that it is only through regulation that the

industry will conquer criminal and conflict practices, and ensure transformation. Unification of similar mindsets through bourse co-operation is therefore a vital tool to ensure this progression.

The knowledge that Rapoo has brought back from his research is immense and extensive. 'What I learnt will certainly allow South Africa, if it is to go ahead with an exchange, to present a bourse that has the potential to be one of the most sophisticated and secure in the world. It is good to learn from the success and failures of others who have walked the same path, and to strive to do a better job, which is why the trips to the largest diamond bourses can only reap benefits for the South African diamond industry.'

He says the establishment of a South African bourse has the potential to revive the economy and promote beneficiation. The influx of foreign exchange and investment is guaranteed to have a positive impact on the manufacturing and trade of precious stones and metals in South Africa, so that it can become not only a stable economy, but a thriving one.

'As we struggle out of the recession, with many of the smaller mines remaining closed, South Africa, currently at number six on the world's diamond producer list, certainly has the potential to grow to match Botswana, which is in the number one position.' **MD**