

Ladies and gentlemen, thank you for that warm welcome. I would like to thank the organizers for inviting me to speak at this important conference.

As the Chairman of the Diamond Dealers Club of South Africa and having served on the major industry bodies in this country as well as serving as the President of the World Federation of Diamond Bourses and as a proud South African businessman, I believe I can offer some local, regional and global perspectives on the challenges facing our country with regards to the diamond industry.

Unfortunately, we are faced today with the great irony that the mighty South African mining industry is something of the 'sick man' of Africa's mining world. This beautiful country that has so many natural treasures and precious minerals finds itself today facing a steep decline. From diamonds to gold to platinum and other resources, the situation does not appear to be promising. This is evidenced by De Beers selling some of their mines in South Africa which has impacted on the beneficiation industry.

Of course, much of this has to do with declining prices for these goods worldwide. And there are many issues that we simply cannot influence on our own. With platinum declining to levels that almost do not make it worthwhile to mine, prices took a further hit when the Volkswagen pollution emissions scandal broke.

And in the diamond business, there is a decline in demand worldwide. The diamond industry is faced with a tough global situation. The one saving grace is that the U.S. market appears to be stable which offsets declining demand from China and very slow market conditions in other major markets such as Japan, India and Europe.

Rough prices are too high for manufacturers who cannot profitably polish goods at such levels, and polished prices have declined in turn pulling down demand for diamonds from South African mines, as well as throughout the world.

Another one of those ironies that I mentioned earlier is that although the concept of the beneficiation of African rough diamonds was started in this country in the early 1930s, we find ourselves struggling to find an economic model that can justify diamond cutting and polishing at home. The State Diamond Trader is a wonderful idea, but in practise has simply not been able to achieve its aims.

An industry cannot be forced into sustainability by imposing export levies because the only ones to suffer are the producers. There has to be a fair and logical tax regime that is in line with international standards. More than that, a business environment has to be created that encourages local manufacturers to buy and polish stones. Enabling firms to process diamonds here means that costs have to be reduced on them to make it profitable for them to do so. There can be tax incentives, for example, or grants for employing and training

staff. That will ensure that skills are retained here and passed on to future generations. We cannot be simply a minimalist trading center where the sum total of our activities is rough being extracted and sold abroad. We simply must find ways to rejuvenate the business by bringing added value which will provide employment and much-needed revenues for the state.

South Africa, the world's fifth-largest rough diamond producer and the home of some of the most iconic names in diamond mining, has a manufacturing industry that employs no more than about 300 workers. Diamond producers in South Africa are required to offer 10 percent of their run-of-mine production to the State Diamond Trader, but in reality it buys much less because the manufacturing capacity is weak.

In the diamond trade, as with every other business, companies follow the money trail. Where can rough goods be profitably bought, cut, polished and marketed? If a vast infrastructure exists for cutting and polishing, such as that in India and, to a lesser extent, in China, is it worth trying to create a whole new enterprise at home especially when the financial advantage is not clear?

Nobody would argue against beneficiation, but we must be able to extract wealth from our diamonds at home that is competitive with other cutting and polishing centers.

Our diamond producing neighbors have created mining agreements with De Beers that vastly increase the value of their diamond activities. I don't have to point out that Botswana has been a huge beneficiary of these moves. It managed to persuade De Beers to move its global aggregation, sorting and sale of diamonds to Gaborone. Who would have thought, just a few years ago, that the collection of global production, sorting and Sightholder sales which took place for 80 years in De Beers' historic offices in Charterhouse Street in London would simply end and be moved to Africa? As for South Africa, we have a situation where Sightholders come to Johannesburg for really just one purpose – to catch a connecting flight to Botswana. The diamond business is continuously changing, and we see that historic arrangements, which we tend to believe are set in stone, can be adjusted.

However, even Botswana has discovered that creating a cutting and polishing industry is an extremely time- and capital-consuming business. And, at the end of the day, possibly is economically unfeasible. It simply has to be economical and sustainable to polish our diamonds.

I would also ask if another reason for the decline we are facing in our mining business is a lack of close cooperation between our government and industry. Take a look at the situation in other diamond centers and you will see what I am at getting at.

In Dubai, the government has gone out of its way to provide tax incentives to encourage firms to set up shop. In India, the government recognizes the vastly important role the gems and jewelry industry plays in its exports and national economy and has pushed the country's banks to provide credit. In

Israel, governments have created an import-export and income tax environment that is convenient for businesses. And in Antwerp, although government assistance is limited and raids on diamantaires have created tensions and there are complaints about over-regulation, people agree that the huge emphasis placed on the need for business transparency and the rule of law, along with the country's 550-year diamond legacy, give it a vital role in the global diamond trade.

Are we really saying that the South African industry and government cannot come together to think about how the government can help diamond mining and manufacturing here in the same way that other countries are doing?

It is also instructive to look at the structure of the diamond sectors of our competitors. In Israel, India, Belgium and Dubai, the importance of marketing their diamonds is taken with extreme seriousness. The Israel Diamond Institute (IDI), India's Gems and Jewellery Export Promotion Council (GJEPC), the Antwerp World Diamond Council (AWDC) and the Dubai Multi Commodities Centre (DMCC) all have created industry accepted systems where there is a small levy on diamond firms with the money used for a wide range of national promotional activities.

You will not visit any of the major diamond tradeshows without seeing the national pavilions of the IDI, the AWDC and the GJEPC. Looking for information about those countries diamond sectors? They all have websites with a vast wealth of information that is updated daily. And not just in English. They go out of their way to provide information in several languages to make finding suppliers easier. And they have long since adapted to the needs of social media to present information in several formats. And if you are looking for a specific diamond at a tradeshow, the IDI will process your query online in seconds and point you to Israeli diamantaires who can supply you with the specific item you need and save you walking the show endlessly. And also, of course, lead you to bypass a diamond firm from one its competitor countries.

I believe that this is the kind of forward thinking that the South African industry needs to adopt. Buyers will not come to us just because we have a diamond industry and history. The global diamond industry is extremely competitive and every country and firm is fighting for business. It's all about taking the initiative and presenting yourself as a must go to market. What is special about our diamonds? What is the added value that we can offer? These are the type of critical questions that must be asked in order to create a marketing plan for our country.

Frankly, we, in South Africa, really should be enjoying the benefits of our resources. This country is the cradle of the modern diamond business, where diamonds were discovered in great numbers 150 years ago. We are a parliamentary democracy with an independent judiciary, just like our competitors, but we suffer from high levels of unnecessary red tape and, I would say, a lack of unified action between government and industry. Of course the government always faces budget constraints, but there has to be official investment in creating a real manufacturing base in this country if that

is judged to be realistic. If not, then other ways have to be thought of regarding how we enable our citizens to enjoy the benefits of their diamonds.

I also believe that ministerial consistency is critical. Honorable minister, we welcome you to this challenging position and wish you the very best in making a success of it, and hope that you will be in the post long enough to make a large and important contribution.

But the beauty of the diamond industry, as with other mining sectors, is that it is dynamic and presents new opportunities. Who would have thought a decade ago that Dubai would become one of the world's most important trading centers. In similar vein, Panama is working hard and has established Central America's only diamond exchange and is marketing itself as an important link between producer states and the North American market.

I believe that South Africa also needs to reinvent its role in diamond mining. We are one of the world's largest diamond producers. We need to reassess our capabilities and skill-sets. Where can we find added value for our diamonds? Where are we making mistakes and how do we correct them?

I do believe that we can find solutions and ways forward, but this necessitates a commitment on the part of the government and a full and open dialogue. Is this going to be just another talking shop like other conferences or will something come of it?

The future is in our hands. Do we want a beneficiation industry that is a mere shadow of itself, or do we want one that will attract buyers from all corners of the globe.

I would like to end by quoting from a speech given earlier this year by Mark Cutifani, the CEO of the huge mining firm Anglo American which owns De Beers. Talking about the challenges facing this country's mining industry, he said: "We need to turn the vicious circle that we are now experiencing into a virtuous circle, with the industry operating in a facilitating environment that is conducive to its making profits, and where investment attracts further investment. And that requires a shift in mindset on all sides – from business, government and labor – if our mining industry is to continue to be a crucial partner in development as a significant contributor to the fiscus, a major employer and a cornerstone for the ongoing livelihood of host communities.

"As an industry, we have to step forward with confidence and conviction and play our part to find solutions to the challenges that now confront our industry. Our solutions must be based on a clear and consistent approach to improving the attractiveness of the country and the industry as an investment destination. In that respect, it is right and fair to point out that the regulatory framework has become increasingly difficult to navigate and that the industry should show its willingness to work with government in simplifying this.

"Government could play an even bigger role in supporting the industry and to attract investment in mining – not least in providing encouragement to a new

generation of business leaders and entrepreneurs. Above all, the South African mining industry itself has to be more productive. Only by doing so, will mining companies be able to both generate profits and safeguard employment through the cycles."

Thank you