

Africa is rich in diamonds but still poor

For months now, Africa's rough diamonds have been increasing in value but the sale proceeds do not reach the people. Instead, they benefit the metropolitan elite and the mine companies, which are usually foreign-owned.



123rf.com

Last week Tanzanian police struck a blow against international diamond smuggling. A consignment of diamonds worth around \$33.4m was seized at the country's main airport. Petra Diamonds, the biggest listed diamond company in the world, based in the tax haven of Jersey, had registered a consignment of 14kg. However, according to the Tanzanian authorities, it actually weighed 30kg. The rough diamonds from the Williamson mine were intended for export to Belgium for processing.

The mine, in the north of Tanzania, is a joint venture. Petra Diamonds owns 75%, and 25% belongs to the Tanzanian government. Tanzania's president, John Magufuli, has declared that combating corruption in the mining sector is a priority for his government. His anti-corruption platform played a large part in helping him to power in 2015.

Benedict Mahona, an economics expert from the University of Dar-es-Salam, told *DW* that the seizure of the diamonds from the Williamson mine was lawful. He explained that the customs laws of the East African Community are unambiguous: Every product that is imported or exported from the area must be correctly registered and declared. "Globally operating companies are systematically plundering Africa's diamond resources, and only a fraction of the stones are properly declared and have duty paid on them," Mahona said. He also commented that the theft of diamonds almost always happens with the help of corrupt locals.

At the same time, with its tough approach the Tanzanian government runs the risk of international companies withdrawing their business and jobs being lost as a result, according to Rebekka Rumpel, an expert in natural resources at the London think-tank, Chatham House. "Tanzania's tough approach is bound to impact negatively on the country's image," she says. Rumpel reports that a large-scale investor from Russia who wanted to mine Tanzanian uranium has already put his project on hold, in part because he was worried about the investment climate in Tanzania.

Corruption on both sides

Magufuli announced that Tanzanians might take over the diamond mines if the foreign companies continued to be a "problem." Amani Mhinda, an activist with Haki Madini, describes this as "pure populism." Haki Madini is a non-

governmental organisation that advocates transparency in business. "That didn't work in the past, either," says Mhinda. "Indigenous companies are at least as corrupt as foreign ones."

Tanzania is more of a mid-level player on the African diamond market. The East African country is ranked tenth among the continent's biggest diamond producers. The Tanzanian government hopes that by 2025 the mining industry will contribute at least twice as much GDP as it has to date. At the moment its contribution is less than 4%.

Zimbabwe: Diamond money for the state apparatus of repression

Diamonds have not brought prosperity to Zimbabwe, either. Three quarters of people in Zimbabwe, Africa's fifth largest diamond producer, live in extreme poverty. The Zimbabwean government does not give out precise information about how much diamonds contribute to its revenue.

"Billions have vanished before ever reaching the Zimbabwean Treasury," the current report by the British anti-corruption group, Global Witness, states.

The diamonds, it says, have not benefited ordinary people. On the contrary. According to this report, the country's secret service and military have siphoned off a significant portion of the revenue for themselves, and have used it to finance their activities. "Zimbabwe's democracy has been undermined and it has led to serious human rights abuses," says Michael Gibb, who submitted the report for Global Witness.

Similar structures to those in Zimbabwe are also to be found in other big diamond countries in Africa. Diamond deposits have also led to more poverty, violence and oppression in Angola or the Democratic Republic of Congo.

Botswana: More transparency, more added value

Things are different in Botswana. The biggest diamond producer in Africa is regarded as a model in many respects when it comes to channeling profits from the export of raw materials back into society. The sale of rough diamonds contributes 75% of the country's foreign exchange revenue.

Botswana seems to have learned from the negative examples in Africa. It tries to keep the value added chain in the country for as long as possible. A large quantity of the rough diamonds are processed - divided, cut, polished, drilled - in Botswana itself. Until just a few years ago, this was done in, for example, the Belgian city of Antwerp, or in Israel. This is still the case with other African diamond producers.

Using diamond money to improve the economy overall

Unlike almost all the other countries in Africa, Botswana has dealt carefully with its riches. The government affords itself social programmes that its African neighbours regard with envy. These include free school education and free healthcare. In addition, part of the money from diamond mining is put towards improving the road, telephone and internet networks.

Now all Botswana has to do is successfully invest profits from diamond mining in building up other branches of industry as well, Ricardo Soares de Oliveira, an Africa expert at Oxford University, told *DW* in an interview: "Then it can be guaranteed that even more money will remain in the country in future."

Source: Deutsche Welle

For more, visit: <https://www.bizcommunity.com>