



## Media Statement by Bench Marks Foundation

**EMBARGOED: 11:30 ON 23<sup>RD</sup> SEPTEMBER 2009**

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### DIAMONDS ARE NOT FOREVER

A call has been made on the Botswana government to diversify its economy to enable the country to become sustainable in a post-diamond mining era, particularly as resource projections suggest that the country will run out of diamonds by 2029.

Speaking in Johannesburg today during the launch of a study by the Bench Marks Foundation, its chairperson, Bishop Jo Seoka, said that Botswana, as the world's largest producer of diamonds, earned some 80% of its foreign exchange earnings from diamonds. This made it the most resource-dependent country in the world.

The study, *De Beers, Botswana and control of a country*, noted that the 1980s had seen an economic boom in Botswana, when the economy grew annually between 12% and 13% on the back of a sustained global commodity price boom. This had been reflected in the price of diamonds, and development projects like schools, roads and hospitals had mushroomed in the country, with free health and education provided to its population.

"Like many mineral producing Third World economies, one would have expected Botswana to diversify its economy by developing a manufacturing capacity from the revenues generated during the boom," Seoka said. "This it failed to do."

The study points out that economies that are trapped in commodity production of raw materials and minerals arrive at a point where, as production is expanded, more units of the same input – capital and/or labour – produce smaller and smaller amounts of input.

Botswana's national economy might yet face this problem, the study warns.

The study criticises Botswana's failure to capitalise on its option to beneficiate (cutting and polishing) at least 10% of rough diamonds locally.

The fact remains that African countries export most of their rough diamonds to London, Antwerp, Israel and India which means that the real value of diamonds are realised in these countries rather than in Africa. Other countries were getting rich from processing Botswana's diamonds instead.

Bishop Seoka adds: “When the then Botswana minister of minerals, energy and water affairs, David Magang, in October 1997 publicly attacked De Beers for failing to beneficiate or ‘manufacture’ diamonds in Botswana, he was ridiculed by his cabinet colleagues.

“Botswana provides up to two-thirds of De Beers’ profit. Yet, until very recently, De Beers actively blocked any attempts by Botswana to beneficiate its own diamonds.”

By 2007, the study says, Botswana’s President Festus Mogae had clearly realised that the real wealth in diamonds was not in the mining or the sale of rough diamonds, but in their beneficiation.

However, the collapse of the global commodity market after the financial crisis that hit the world in 2008 has put Botswana’s vision in terms of diamond beneficiation at risk. De Beers announced in December 2008 that it was postponing the transfer of its aggregation plant from London to Botswana and cutting diamond production by 40%.

In addition, attracting diamond cutting and polishing might come at the price of replicating the sweatshop conditions that apply to Ramat Gan and Mumbai.

The Bench Marks Foundation research on the diamond industry in Botswana is a continuation of the Foundation’s broader SADC research initiative into the extractive industry. The main focus is CSR practice of mining companies regarding the three basic dimensions of sustainable development – economic, social and environmental – in the areas in which they operate.

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**Issued by Quo Vadis Communications on behalf of Bench Marks Foundation**

Bench Marks Foundation is an independent organisation monitoring corporate performance in the field of Corporate Social Responsibility (CSR) with the focus on social sustainability and economic empowerment. The organisation encourages CSR that goes beyond reporting mechanisms and focuses on the gap between policy and practice, thereby assisting civil society groups and corporations to move beyond philanthropy to more strategic interventions that benefit both the corporations and society. Central to Bench Marks’ agenda is how CSR is integrated into companies’ operations and ensuring that it is at the core of every decision making process.

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