

# Conflict rocks state diamond buyer

**ILHAM RAWOOT | JOHANNESBURG, SOUTH AFRICA - Jun 10 2011 00:00**

The chairperson of the State Diamond Trader, who is alleged to have bought Zimbabwean conflict diamonds, has political ties to President Jacob Zuma.

Advocate Linda Makatini was once Zuma's legal adviser and is now a board member of the Jacob Zuma Children's Fund and a co-director of Deviate Information Technology with Zuma's son, Duduzane.

Sources have told the *Mail & Guardian* that Makatini was also involved in proposed developments around Nkandla, the president's home village in rural KwaZulu-Natal.

These political connections, some observers suggest, may be behind the willingness of Mineral Resources Minister Susan Shabangu to come to Makatini's defence in Parliament this week.

"It may be at a personal level because she was an advisor to Zuma," said Alan Martin, the research director of Ottawa-based NGO Partnership Africa Canada.

A search of the Companies and Intellectual Property Commission's database has also revealed that Makatini is a director of at least eight mining companies, including a diamond mining company called Matodzi Resources. She also owns a cutting and polishing business called Tumelo Diamond Cutting Works.

These conflicts of interest have come to the fore following numerous allegations that Makatini imported a parcel of rough diamonds worth \$1-million from Zimbabwe's controversial Marange region in contravention of the Kimberley Protocol, of which South Africa is a member.

Makatini did not respond to emails, SMS's or phone calls made by the *M&G*.

## Understanding the Kimberley Protocol

Israeli-based diamond industry expert Chaim Even-Zohar said: "Traders have told me that the diamonds were offered for sale in the Diamond Exchange Market in Johannesburg in the last week of April." The current whereabouts of the diamonds are unknown.

The allegations were raised in Parliament by Hendrik Schmidt, the Democratic Alliance's mining spokesperson.

Shabangu responded: "On the allegations you are making on the Kimberley Protocol, please do me a favour: read the Kimberley Protocol, understand the regulations and understand the role of the Kimberley Protocol chair. Zimbabwe is compliant. Acquaint yourself with that decision, read the role of the Kimberley Protocol chair." She did not confirm or deny that Makatini had bought the diamonds.

The role of the State Diamond Trader, created in 2008, is to buy 10% of the diamonds mined in South Africa to sell to local cutting and polishing companies.

Shabangu's spokesperson, Musa Zondi, told the *M&G* this week: "[The minister] says she heard for the first time about the diamonds in question when this allegation was made in Parliament last week and no, she has not had a discussion with advocate Makatini on the issue, nor does she think she should have a discussion on the basis of these allegations."

But the minister's statement that Zimbabwe is compliant with the Kimberley Protocol has raised concerns in the diamond industry and many NGOs have insisted that the purchase violated the protocol, which requires decisions on compliance to be made by consensus. Earlier this year the chairperson of the process, Mathieu Yamba, of the Democratic Republic of Congo, released a statement that claimed the Marange diamonds were compliant with the Kimberley Process and good for sale on the international market. But experts say this is meaningless.

"Yamba was out of bounds on procedural grounds," said Martin, whose NGO was behind the creation of the process. "Without consensus, the statement that Zimbabwean diamonds are compliant was overreaching," he said.

### **Refusing to recognise Zim diamonds**

With Shabangu's statement in Parliament, South Africa is the first country to recognise Yamba's statement officially -- a drastic political step, according to analysts. Many countries that are participants in the Kimberley Protocol still refuse to recognise Zimbabwean diamonds as compliant.

"It is clear that Zimbabwe is still noncompliant with even the minimum standards required," said Martin. "In 2009, Zimbabwe signed a roadmap to compliance and has since met none of those goals. It has shown no political will to continue down that road. There has been growing evidence of diamonds funding Zanu-PF and no evidence of compensation for individuals who were relocated from Marange."

"Zimbabwe wants to keep this resource in the hands of the military and the police. The state is playing an active role in violence and smuggling and there have been numerous examples of police involved in mining syndicates."

Some analysts and activists believe Makatini's alleged purchase underscores corruption within the South African diamond industry. "This decision has nothing to do with helping the people of Zimbabwe," said Farai Maguwu, head of the Centre for Research Development in Mutare.

"We know these diamonds were sold secretly by one element of the Zimbabwean government and the money did not go into the treasury. It went into private pockets. There has been no transparency in this whole thing."

"My information is that these diamonds were imported under the name of Makatini as an individual, and it is still unclear whether they are personal or on behalf of the South African government. South Africa is partaking in the plunder of Zimbabwean resources."

This is not the first time the State Diamond Trader has come under fire for its stance on Zimbabwe. In 2010, its then-chief executive, Abbey Chikane, visited Marange as Kimberley Protocol monitor on a

fact-finding mission. He claimed Marange diamonds were compliant, but his statements were met with anger from many member countries.

"As a monitor, he overstepped his mandate," said Martin. "His job was to make recommendations, not statements automatically deemed to be Kimberley Protocol policy." Maguwu said that when Chikane claimed Zimbabwean mines were compliant with the process, "he had visited mines that South Africa had a financial interest in".

### **Dodgy links in the supply chain**

Minister of Mineral Resources Susan Shabangu's defence of Linda Makatini's alleged purchase of Marange diamonds from Zimbabwe has raised concern within the international diamond industry.

"What concerns a lot of people is that South Africa has created a lot of legal uncertainty," said Alan Martin, research director of Ottawa-based Partnership Africa Canada, an NGO behind the creation of the Kimberley Protocol.

"South Africa has a long tradition of being a constructive partner in the Kimberley Protocol. What concerns the industry is that South Africa is now veering into a grey zone where it is supporting Zimbabwe."

He said that if South Africa was really accepting Marange diamonds it was "throwing the Kimberley Protocol to the wolves".

"This has major implications for the longevity of the Kimberley Protocol. If its decisions can be overthrown with such ease, it has huge ramifications for the process to be able to hold any country to account. "This could be the death knell for the Kimberley Protocol."

Martin said it also raised issues of consumer confidence, because the diamonds South Africa bought from Zimbabwe would most likely be exported with a South African certificate and "it opens the question of how much people down the supply chain can trust South African diamonds.

International buyers will not know if they are getting South African or Marange diamonds. "This is not something that a country that relies on diamonds for so much of its economy wants to have questioned."

**Source: Mail & Guardian Online**

**Web Address: <http://mg.co.za/article/2011-06-10-conflict-rocks-state-diamond-buyer>**