

Diamonds

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Canada continues to emerge as a major player in the world diamond industry. Production increased by over 30% from 3.7 million ct in 2001 to 4.9 million ct in 2002. It is expected that by 2006 Canada will account for about 12% of the world's diamond production and rank third after Botswana and Russia in terms of value of production.

First production from the second Canadian mine, the Diavik diamond mine in the Northwest Territories (N.W.T.), began late in 2002. The mine is a joint venture between Diavik Diamond Mines Inc., a wholly owned subsidiary of RIO Tinto plc of the United Kingdom (60%) and Aber Diamond Corporation of Toronto (40%). The \$1.3 billion project is expected to reach full production of around 6 million ct/y by late 2003 or early 2004. Aber has reported that its first sale of rough diamonds sold for an average of US\$96/ct, well above the US\$62/ct used in the initial mine feasibility study.

The Ekati diamond mine, also in the N.W.T., owned 80% by BHP Billiton and 10% each by Canadians Chuck Fipke and Stewart Blusson, continued to perform very well throughout the year. The company became Canada's first underground diamond mine when ore from the Koala North pipe entered the diamond recovery plant in July 2002. Late in the year, BHP Billiton announced that it had chosen not to renew its three-year rough diamond marketing arrangement with De Beers' Diamond Trading Company.

De Beers' Snap Lake project in the N.W.T. continued through its environmental assessment process being carried out by the Mackenzie Valley Environmental Impact Review Board. Public hearings are expected to be complete by early May 2003 with a final decision to enter the permitting process by the fall.

The Jericho diamond project located in Nunavut and owned by Tahera Corporation is also undergoing environmental assessment. In its case, the assessment is being conducted by the Nunavut Impact Review Board and a decision to enter the permitting process is also expected before the end of 2003.

Companies exploring for diamonds spent about \$133 million, which accounted for about 25% of the total expenditures in 2002. This is expected to drop somewhat in 2003 to around \$125 million based on companies' early forecasts. Exploration is occurring in most provinces and territories with Alberta, Saskatchewan, Ontario, Quebec, Nunavut and the N.W.T. being the most active locations.

The diamond cutting and polishing industry suffered a minor setback when one of the three plants in Yellowknife was forced to close as a temporary measure. After securing a more senior partner, it is now expected to re-open sometime in the near future. At the same time, Tiffany began construction of a cutting and polishing facility, also located in Yellowknife. Barring any unforeseen circumstances, the company expects to begin producing finished diamonds by mid-year. The plant is designed to employ a maximum of 75 workers. Tiffany has an agreement with Aber to purchase up to US\$50 million in rough diamonds annually.

On January 1, 2003, Canada joined with nearly 50 other countries in implementing the Kimberley Process Certification Scheme (KPCS) to control the import and export of rough diamonds. As a relatively new diamond producer, Canada did not have the legislation needed to implement its obligations as a participant in the international KPCS. Canada's Parliament passed the *Export and Import of Rough Diamonds Act* and its associated regulations, which provided the Canadian government with the authority to control all exports and imports of rough diamonds. Under the new legislation, all exports and imports of rough diamonds must be reported to the Minister of Natural Resources Canada, who is the country's export and import authority for rough diamonds.

Notes: (1) For definitions and valuation of mineral production, shipments and trade, please refer to Chapter 64. (2) Information in this review was current as of February 2003. (3) This and other reviews, including previous editions, are available on the Internet at www.nrcan.gc.ca/mms/cmy/com_e.html.

For more information on diamonds in Canada visit: www.nrcan.gc.ca/mms/diam/index_e.htm.

NOTE TO READERS

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TARIFFS

Item No.	Description	Canada			United States
		MFN	GPT	USA	Canada
7102.10	Diamonds, unsorted, whether or not worked, but not mounted or set	Free	Free	Free	Free
7102.21	Diamonds, industrial, unworked or simply sawn, cleaved or bruted, but not mounted or set	Free	Free	Free	Free
7102.29	Diamonds, industrial, other	Free	Free	Free	Free
7102.31	Diamonds, non-industrial, unworked or simply sawn, cleaved or bruted	Free	Free	Free	Free
7102.39	Diamonds, non-industrial, other	Free	Free	Free	Free
7105.10	Natural or synthetic diamond dust or powder	Free	Free	Free	Free

Sources: Canadian *Customs Tariff*, effective January 2003, Canada Customs and Revenue Agency; *Harmonized Tariff Schedule of the United States*, 2003.

TABLE 1. CANADA, DIAMOND PRODUCTION AND TRADE, 2000-02

Item No.	2000		2001		2002 (p)		
	(carats)	(\$000)	(carats)	(\$000)	(carats)	(\$000)	
PRODUCTION							
	Northwest Territories	2 435 036	624 949	3 716 126	717 780	4 983 953	801 469
EXPORTS							
7102.10	Diamonds, unsorted, whether or not worked, but not mounted or set						
	Belgium	1 810 401	470 752	2 430 813	546 883	3 427 203	594 556
	United Kingdom	706 349	182 747	885 710	207 871	1 546 808	258 292
	United States	800	1 504	317	207	3 666	7 035
	India	-	-	-	-	315	90
	Armenia	-	-	-	-	118	15
	Australia	7	33	-	-	-	-
	Israel	42	71	-	-	-	-
	South Africa	1 863	333	-	-	-	-
	Japan	-	-	3	21	-	-
	Total	2 519 462	655 440	3 316 843	754 982	4 978 110	859 988
7102.21	Diamonds, industrial, unworked or simply sawn, cleaved or bruted						
	United States	906	65	2 472	60	17 130	249
7102.29	Diamonds, industrial, other						
	United States	25	134	1 152	174	54 404	249
	United Kingdom	-	-	182	2	6 875	58
	Germany	-	-	-	-	1 748	16
	Japan	-	-	-	-	1 302	12
	Total	25	134	1 334	176	64 329	335
7102.31	Diamonds, non-industrial, unworked or simply sawn, cleaved or bruted						
	United States	10 651	1 520	81	57	1 267	1 668
	Belgium	-	-	-	-	30	33
	Australia	8	4	-	-	7	4
	Israel	41	106	-	-	-	-
	New Zealand	-	-	21	12	-	-
	Total	10 700	1 630	102	69	1 304	1 705
7102.39	Diamonds, non-industrial, other						
	United States	4 806	13 367	7 870	26 109	12 306	42 556
	Belgium	1 076	838	114	728	410	1 233
	Hong Kong	-	-	36	204	73	302
	Japan	-	-	-	-	55	154
	Armenia	-	-	-	-	288	55
	United Kingdom	-	-	-	-	10	20
	South Korea	-	-	-	-	3	3
	South Africa	1 006	179	-	-	6	-
	Israel	304	541	-	-	-	-
	Thailand	49	61	-	-	-	-
	Chile	-	-	18 568	13	-	-
	Total	7 241	14 986	26 588	27 054	13 151	44 323
7105.10	Natural or synthetic diamond dust and powder						
	United States	92 543	80	52 726	50	96 708	103
	Switzerland	-	-	-	-	4 842	7
	South Korea	-	-	-	-	2 200	3
	Hong Kong	476	1	-	-	-	-
	Total	93 019	81	52 726	50	103 750	113
IMPORTS							
7102.10	Diamonds, unsorted, whether or not worked, but not mounted or set						
	Israel	..	31 690	..	34 658	3 751	8 729
	India	..	15 495	..	13 132	9 015	5 221
	United States	..	11 927	..	10 152	5 525	3 663
	Belgium	..	9 221	..	7 464	6 071	3 096
	Brazil	-	-	..	49	54	158
	Switzerland	..	3	-	-	..	152
	Other countries	-	3 524	-	3 673	769	303
	Total	..	71 860	..	69 128	25 185	21 322

TABLE 1 (cont'd)

Item No.	2000		2001		2002 (p)		
	(carats)	(\$000)	(carats)	(\$000)	(carats)	(\$000)	
IMPORTS (cont'd)							
7102.21.00.10	Diamonds, industrial, bort and black, diamonds for borers, unworked or simply sawn, cleaved or bruted, but not mounted or set						
	Ghana	78 472	285	63 789	237	107 343	441
	Belgium	74 336	473	85 754	482	48 119	346
	United States	168 290	663	49 392	245	45 570	180
	United Kingdom	74 656	305	76 896	390	22 084	152
	Botswana	—	—	—	—	17 524	92
	South Africa	8 488	60	10 722	68	5 458	33
	Other countries	19 805	109	9 964	50	26 053	66
	Total	424 047	1 895	296 517	1 472	272 151	1 310
7102.21.00.90	Diamonds, industrial, other, unworked or simply sawn, cleaved or bruted, but not mounted or set						
	United States	73 538	603	78 147	460	60 416	370
	Ghana	7 941	46	25 919	205	56 908	358
	Belgium	13 335	99	8 534	71	20 876	159
	India	—	—	26	—	15 061	114
	Japan	4 785	31	11 387	60	20 515	111
	Other countries	11 399	91	26 538	167	22 435	152
	Total	110 998	870	150 551	963	196 211	1 264
7102.29.00.10	Diamonds, industrial, other, bort and black diamonds, for borers, but not mounted or set						
	United States	1 226	139	2 604	130	42 880	152
	Ghana	2 516	9	—	—	7 919	61
	Australia	110	23	281	58	82	23
	Other countries	499	26	2 038	20	49	12
	Total	4 351	197	4 923	208	50 930	248
7102.29.00.90	Diamonds, industrial, other, other than bort and black, for borers, worked but not mounted or set						
	Belgium	12 091	329	5 321	114	1 226	256
	United States	854	172	3 929	261	1 200	204
	South Africa	13	5	298	25	805	197
	United Kingdom	31	10	232	51	817	168
	Other countries	146 921	1 148	38 785	258	1 438	39
	Total	159 910	1 664	48 565	709	5 486	864
7102.31	Diamonds, non-industrial, unworked or simply sawn, cleaved or bruted, not mounted or set						
	Belgium	4 619	3 285	3 664	3 029	3 303	2 003
	Israel	2 564	1 897	2 641	1 964	2 345	1 481
	India	233	22	1 384	439	675	315
	United States	952	250	1 318	359	460	240
	Botswana	—	—	—	—	486	188
	Namibia	—	—	—	—	376	173
	Australia	—	—	1	1	280	107
	Other countries	885	157	1 100	514	—	—
	Total	9 253	5 611	10 108	6 306	7 925	4 507
7102.39.00.10	Diamonds, non-industrial, other, of a weight not exceeding 0.5 carats each						
	Israel	39 732	35 753	36 614	29 372	41 500	39 851
	Belgium	15 535	14 281	16 079	14 518	24 872	27 168
	United States	15 920	10 732	14 727	9 797	24 389	17 025
	India	7 460	3 368	9 618	3 989	41 107	12 921
	Other countries	1 185	1 445	1 672	1 604	6 236	3 573
	Total	79 832	65 579	78 710	59 280	138 104	100 538

TABLE 1 (cont'd)

Item No.		2000		2001		2002 (p)	
		(carats)	(\$000)	(carats)	(\$000)	(carats)	(\$000)
7102.39.00.20	Diamonds, non-industrial, other, of a weight exceeding 0.5 carats each						
	Israel	48 117	46 769	43 506	37 777	70 133	73 028
	Belgium	80 560	62 022	52 152	46 837	74 212	60 654
	United States	44 930	34 192	37 023	24 174	58 503	43 992
	India	75 912	30 456	73 343	29 267	58 900	30 237
	Other countries	11 027	12 899	8 916	12 652	15 712	18 901
	Total	260 546	186 338	214 940	150 707	277 460	226 812
7105.10.00.10	Diamond dust for borers; dust mixed with a carrier in cartridges or in tubes						
	United States	421 508	1 037	344 258	857	316 876	847
	Ghana	10 842	38	3 900	10	4 473	17
	United Kingdom	3 904	9	1 442	5	777	3
	Other countries	67 526	154	34 478	69	–	–
	Total	503 780	1 238	384 078	941	322 126	867
7105.10.00.91	Natural diamond dust and powder						
	Ireland	7 052	26	193 213	429	685 884	1 214
	United States	150 451	447	143 217	408	115 829	252
	Belgium	20 552	72	11 031	39	5 000	12
	Other countries	4 487	14	7 224	18	3 486	11
	Total	182 542	559	354 685	894	810 199	1 489
7105.10.00.92	Synthetic diamond dust or powder						
	Ireland	1 530 223	3 868	2 329 026	4 579	2 011 213	2 848
	United States	1 225 878	2 416	1 445 256	3 114	2 051 723	2 602
	China	87 314	109	84 013	60	146 954	385
	Belgium	189 673	306	117 575	174	161 329	234
	Other countries	41 325	74	86 159	147	43 189	101
	Total	3 074 413	6 773	4 062 029	8 074	4 414 408	6 170

Sources: Statistics Canada; Natural Resources Canada.

– Nil; . . Not available; (p) Preliminary.