The growth of Tanzania’s gem trade has not come without challenges. Today, brokers navigate a market where efforts to enhance the benefit derived from these resources for the nation’s population have resulted in a less competitive gem market compared to those of neighboring countries where import and export taxes are lower.

Colored gemstone enthusiasts are well aware that East Africa has emerged as a major producer of fine gemstones during the past few decades. From apatite to zircon, deposits both large and small dot the landscape. For some of these, the resource is quite significant. Take ruby for example. Today, Africa—specifically Mozambique—produces more gem quality ruby than the classic Asian sources and by no small measure. Likewise, the quality of some of these materials is equally staggering. In fact, certain of East Africa’s deposits have produced such amazing material that the locality is the varietal name i.e., Mahenge spinel, Mozambique garnet and Tunduru sapphire, to name a few.

Among today’s colored gemstone producing countries, Tanzania is particularly important. The country hosts numerous deposits of ruby, sapphire, emerald, beryl, garnets, tourmaline, spinel, zircon, diamond and of course tanzanite. The country is also home to large deposits of gold and other precious and industrial metals. So, when earlier this summer the opportunity to visit Tanzania came along courtesy of friend and colleague Robert Weldon, I seized the moment. In late June, I set off for Arusha, Tanzania to experience its market firsthand. Robert has visited Tanzania at least six or seven times over the years. He promised it would be a fascinating excursion. Even so, what awaited us was far more than I had imagined.

Arriving at Kilimanjaro Airport, we were greeted by a calm night sky. The passport control area was crowded, mostly with tourists coming for safaris or to trek up Mt. Kilimanjaro from the looks of things. The process itself was quick and otherwise uneventful. An hour later we were at the hotel in Arusha.

Morning came quickly. We had set an ambitious agenda for the next ten days including mine visits and meetings with officials, manufacturers wholesaler and retailers. Some of these had been arranged in advance, while most of our appointments were cloaked in uncertainty. Nonetheless it was difficult not to be optimistic. We were very fortunate to be accompanied during our travels around Arusha by Nick Kwendo, a respected member of the local community and gem trade that had been referred to Robert by Mark Saul of Swala Gem Traders. It’s been my experience during the years, that often the opportunity to access the inner circle of a trading center depends on who brings you. There was no doubt that the comments I would hear about the current state of market would be unfiltered, straight talk.

I also had a chance meeting with a longtime member of Arusha’s gem market, Peter Pereira of Isle of Gems Co. Peter explained that once tanzanite was a stronger segment of his business, but today demand has changed. Mint garnet, Malaya garnet and spinel is what he sees most demand.

Others that I spoke with agreed that demand for tanzanite was not what it should be. This can be attributed in part to a ban on rough exports, which is now in its 8th year. In spite
of best intentions, Tanzania has yet to realize its commendable goal of benefiting the local market. “Tanzania still does not have the capacity to finish large amounts of material in the country,” one of the dealers said. “The fine goods are increasingly being finished in Arusha; that’s good. The problem lies with the large amount of commercial grade material and smooths that are more efficiently finished in Jaipur.”

It is estimated that 60% to 70% of tanzanite is being smuggled out, which some attribute to uncompetitively high taxes and cumbersome regulations. Until the capacity to cut within the country increases and the royalties are brought in line with those of surrounding countries, this condition may persist. Many of the dealers that I spoke with during my travels explained that they were not opposed to taxes, but the current tax rates are significantly higher than those in the Nairobi market, Arusha’s main competing market. They are hoping for some relief in the form of more competitive taxes and more business-friendly regulations for import and exports of gems. Dealers around Arusha expressed concern that the Arusha Gem show will lose buyers and exhibitors to the new Nairobi show if regulations remain unchanged.

As for Pereira, today his business is cut goods. He buys locally cut material, much of which must be recut to better proportions sometimes resulting in higher than competitive prices.

Several dealers I spoke with indicated that the government’s goal of beneficiation was good. But the actual process should be reformed so that it can be achieved. Until taxes are more competitive, Tanzania will have difficulty selling its minerals transparently in the world markets. Of particular irritation for many dealers was the 18% VAT that was levied on gems. This can make the sale of tanzanite to local consumers cost prohibitive. I was told that it has not been applied universally, with some foreign transactions being exempt.

**TANZANITE MINING TODAY**

A visit with Sammy Moll, Chairman of the Tanzania Mineral Dealers Association, provided a great opportunity for a far-reaching interview regarding the current state of the tanzanite market. The active mines have now reached depths of 750 to 800 meters and require substantially more investment than years ago. Essentially, the minimum financial investment to mine tanzanite is approaching $1 million USD. Although there are still significant amounts of material reported at Merelani, many believe that the increased costs of mining at these depths relative to the wholesale market price of tanzanite will result in diminishing production. Sammy believes that when one considers the rarity, combined with the beauty of tanzanite, prices should be higher. Yet interestingly, my research of the market demonstrates that for virtually all of tanzanite’s 50-year history, it has had a well-defined price ceiling and floor. Wholesale prices have only exceeded $1,000 per carat in the early years of the deposit. But during the past few decades when the popularity of the tanzanite has been quite strong, wholesale prices for fine material have ranged from $275 to $500 per carat. This, while the prices for fine, heated blue sapphire exceeds $6,500 per carat! Given the current situation, the market may have finally reached a stage where sustained price increases for tanzanite are inevitable.

Following our meeting, Mr. Moll arranged for a meeting with a member of the mining ministry, Adam Rashidi, Zonal Mines Officer for the Northern Zone in Arusha. He provided an overview of the responsibilities of the ministry and explained that the licensing fees collected chiefly go to support mine safety and to educate miners in mining and sales techniques as well as to ensure that mining activities do not pose environmental risks. He also predicted that there will be no small-scale mining at Merelani within two years because the current depths pose a significant cost barrier. The Mines Officer then surprised me when he broached the one issue that so many of the dealers had complained about, the 18% VAT. He assured me that the new government is aware of the issues involved with the current regulations. He said that the situation, which was inherited by the new president, may be reevaluated. The officer also showed me samples of the origin certificates that they would like to accompany all tanzanite sales. “Illegal trade is a problem. Implementation of a [origin] certification program will assure buyers that their tanzanite was legally exported,” he stated. The certificate may serve some benefit, but an open, competitive market is more likely to eradicate the illegal trade since currently no international customs offices or trade associations appear to be requiring the certificates.
MERELANI
Our trip to the tanzanite mines at Merelani found an active area. We stopped short of the entrance to climb up a hill where Mr. Mollel pointed out the boundaries of the four blocks (Blocks A, B, C, D). Dozens of people searched atop mounds of discarded rock and debris cleared from the tunnels in hopes of finding some small shred of a gem crystal that might have previously gone unnoticed. It’s the type of hard, yet dull work that I suspect few would choose to do if there were other options.

Once we passed through the gate we entered the first of four mines we would visit that day. Chusa Mining Co. is located in Block B. A simple mechanized pulley system brings debris up the length of the shaft from the 750 meters depth where miners were working. Climbing down the shaft, which was covered in a layer of graphite dust, requires some care. One does not want to lose their footing to a hastily placed step as the graphite dust works against traction. We haven’t traveled very far before the air is noticeably heavy. The small hose that carries air pumped by a generator on the surface down to the bottom makes the mine survivable, not comfort-

THE TANZANIA GEMOLOGICAL CENTER
The center was formed to add value to gems mined in Tanzania and provide additional economic opportunity for locals engaging them in different levels of the gem industry. The center offers training in gem testing and also cutting and polishing services. During the day that we visited, there was a class of 18 women currently learning faceting techniques for colored stones. Figures 3 and 4. To date the school has already graduated four classes from the lapidary program. The emphasis of the training is to prepare students for work in small and medium sized companies. The school is seeking funding for scholarships as well as donations of reference books. Previously, students’ costs of tuition were funded by a grant.

FIGURES 3 AND 4. The Tanzania Gemological Center is training students to cut and polish gems. Photo by Stuart Robertson.

FIGURE 5. In the shadows of Merelani. Photo by Stuart Robertson.
able. Imagine working in these conditions for a few days at a time, and to think, we were nowhere near the bottom where miners were working.

CURRENT MARKET
The chief challenge facing the market is the unlevel field where locals are encumbered by the higher prices stemming from the competition with stones entering the international market that have not been subject to costs of legal export. Until this gap is closed, fully achieving the goals of beneficiation will be difficult. Nonetheless, tanzanite has a strong potential for continued growth. Tanzanite is currently experiencing good growth opportunities in the gem markets of China and the Pacific Rim. Like China, India is also showing solid potential as a consumer market of tanzanite. Traditionally, the strongest markets have been the USA, and the tourist ports of the Caribbean. These are still active but price fluctuations have limited the appetite to carry much stock above that projected for short term needs.

Although dealers I met with in Arusha believe the price is too low for such a rare gem, this has stemmed directly from the price fluctuations caused by rough reserves held in India. There the stone was traded more like a commodity, placing pressure on price. This has limited the use of tanzanite in large manufacturing lines where price stability is important.

At fifty years, tanzanite is a young gem. Its history is still being written. To what extent small scale miners will continue to benefit from the resource going forward is not clear. As the depth of the deposit increases, private sector involvement will be needed to improve development of the resource. As the tunnels go deeper, the eventuality is that the approach to mining will likely evolve. And as new generations of consumers in emerging consuming markets experience this beautiful gem, conditions should finally be right for the price of fine tanzanite to finally break through that ceiling.