

# *The difficult search for fair trade gold*



*Miner Américo uses a vegetable extract in search for gold (Oro Verde Colombia) © Campaign Goed Goud*

***The production of one single golden ring generates 20 tonnes of highly toxic waste and requires 50,000 litres of water. These numbers are impressive. Also, mining companies are seldom champions in respecting the local populations. The sector tries to redeem its negative image with standards and codes while NGOs work with cooperatives of artisanal miners towards producing fair trade gold. The first fair trade jewels were sold in 2011, but there are still many obstacles to overcome before miners will actually enjoy a better – golden? – future.***

## ***Gold rush***

Mankind has mined gold, silver and other precious metals for ages. The Romans used slaves to extract gold in the four corners of their Empire.

Today, gold is a useful mineral – for jewellery as well as electronics and mobile phones – but chiefly an investment product. The price of gold has shot up over the last few years and Western mining multinationals are looking for gold worldwide.

Local governments like to hand out concessions to get part of the profits but in the end the multinationals and their shareholders pocket the benefits. In many places conflicts with local communities and environmental groups are on the up. Some even talk about new colonialism and a new gold rush.

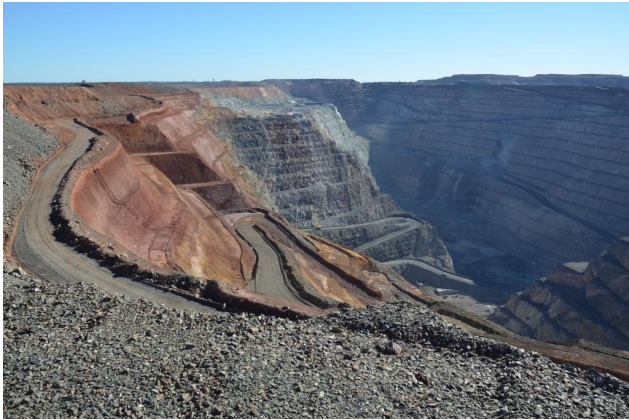
## ***Industrial mining***

Until the 19th century mining was synonymous with heavy manual labour. Since then, the gap between large-scale industrial mining and small-scale artisanal mining has widened. 80 to 95% of all gold is extracted industrially which, without a doubt makes gold mining one of the most polluting activities in the world. In open pit mines – huge craters in the landscape – cyanide is usually used to separate gold from other ores.

A side effect of this process is that heavy carcinogenic metals such as lead and arsenic acid are released, this is also known as acid mine drainage. Some mines store their chemical waste in basins so the cyanide can evaporate, but there are many examples of leaking basins. In addition, mining giants need huge quantities of water for washing ore and cooling heavy machinery.



As a consequence the water table drops, which is a disaster for the local communities. Ecological disasters are not the privilege of the South. In 2000, a leak at the Baia Mare gold mine in Romania released 100,000 tonnes of waste water in the Tisza River. The resulting cyanide cloud travelled for some 1,500 kilometres and polluted the drinking water of 2.5 million people.



Australian open pit gold mine © Sacha Grant

## No say

The gold used for the 2012 Olympic medals in London came from the brand new Oyu Tolgoi mine of the Rio Tinto multinational in southern Mongolia. The Undai River, the only above-ground source of water in the area, was diverted without consulting the local population. Yet, according to ILO Convention 169, mining companies must consult the local indigenous population and let them share in the benefits.

In practice, this rarely happens. On the contrary, communities that protest have to face the mine owner's private militia. Usually, locals cannot rely on aid from the government, justice or the police because they side with the mining companies for financial reasons. Companies who play it cleverly build schools, health clinics and sports fields to create goodwill.

## Keeping up appearances

To counter negative publicity, in 2001 a few mining companies founded the International Council on Mining and Metals (ICMM) to establish standards and good practices for the environment and to respect the local population. In 2005, gold traders and the jewellery industry founded the Responsible Jewellery Council (RJC). Just before the 2012 Olympics, Rio Tinto was the first company to be certified, which led to an immediate outcry of NGOs and environmental advocacy groups. In the *More Shine than Substance* report they conclude: "The system as well as the RJC code have many loopholes that undermine its credibility. Company-wide certification was granted to Rio Tinto while many of its mines did not meet the standards of the code."

Since 2006 the Initiative for Responsible Mining Assurance (IRMA) brings together NGOs and the industry. It aims to establish standards that are controlled by external instances, such as the FSC process does for timber. IRMA hopes to start certifying mining sites in 2015.

## Campaign GOUD:EERLIJK?

"Are you nuts? How dare you propose to me with a golden ring?" In this advertisement the would-be groom gets hit too. It is GOUD:EERLIJK?'s wake-up call to consumers. The campaign is run by three Flemish organisations: Catapa, Ecolife and Network Sustainable Consumption. Like elsewhere in Europe and the United States it denounces gold mining abuses. The London Mining Network, which was started by NGOs, human rights organisations and environmental advocacy groups and aims to tackle mining multinationals, even as far as the London Stock Exchange.

## Artisanal mining

In the gold sector there is a second reality at play: 10 to 15% of the annual global production of 200 to 300 tonnes is not mined by large mining companies but by 15 million artisanal miners.

They often work illegally because authorities are reluctant to grant concessions to them. Their work is not safe because they use mercury to extract the ore. Inhaling toxic mercury fumes cause neurological disorders and other health problems. Often children start to help at a young age. The price obtained by these artisanal miners only rarely pulls them out of the vicious circle of poverty because of the game played by shrewd middlemen.



Illegal mine in Colombia © Campaign Goed Goud

## Oro Verde

There is another way. Colombia's Pacific coast is home to the descendants of African slaves. In the early 1990s these Afro communities obtained community rights to the land. Many of them have been gold miners for generations and have mined in an artisanal way without using cyanide or mercury. Instead, to extract gold they use a vegetable extract. In the 1990s they were confronted with the devastating practices of foreign mining companies and decided to establish Oro Verde. The goal of this cooperative is to combine traditional knowhow with contemporary technical expertise so gold mining can become a reliable source of income, while preserving the tropical forest.

This example has inspired other Latin-American communities, NGOs and environmental activists to establish the Alliance for Responsible Mining (ARM). They have accepted the challenge and show the world that small-scale artisanal gold mining can effectively contribute to fighting poverty and sustainable development. In 2006, after consultation with gold miners' organisations, a first standard was established.

## **Fairtrade & Fairmined**

In 2009, the Fairtrade Labelling Organization (FLO), the current Fairtrade International, got involved. Cooperation between the ARM and the FLO led to the Fairtrade & Fairmined standard. If you meet the criteria, you receive the FT & FM label.

An important element is traceability: the whole chain is certified, from the mine to the jeweller and the final product. Consumers can find out where his or her jewel's gold originated from. Gold miners must work together in democratic organisations and in addition to the minimum fair trade price they obtain a fair trade premium that must be invested in projects of their own choice. Child labour is prohibited. One striking detail though: while there are guidelines for the safe usage of cyanide or mercury, the products are not prohibited, because often there are no alternatives. Miners who do not use cyanide or mercury can get a financial bonus for their ecological gold.



*Artisanal miners in the Rayo Rojo mine in Bolivia © ARM*

## **Finally: fair trade gold**

In January 2011, the Cotapata cooperative from Bolivia produced the first FT & FM certified gold bar. This was the result of a pilot project of Cumbre del Sajama, a Bolivian organisation that supports mining communities. The Trade for Development Centre, a programme of the Belgian development agency BTC, supported the project financially. For two years various criteria were extensively tested, traceability of gold was evaluated and miners were trained in the principles of fair trade.

Other mines in Peru, Colombia and Ecuador are following the example of Cotapata and go through all stages of the certification process. On the African continent, eight mining groups in Kenya, Tanzania and Uganda have worked with Britain's Fairtrade Foundation towards certification since 2012.

The ARM followed this example and started projects in Burkina Faso, Mali and Senegal with French support.

Fair gold hit British markets on Valentine's Day in 2011. One year later forty British jewellery designers were already on board. At the Academy Awards ceremony, actor Colin Firth's wife wore fair trade jewellery on the red carpet. Other countries followed suit and include silver and platinum. In Belgium, this first goes to Ana Kindermans, a jeweller from Heusden-Zolder.

## **Disappointment**

If you ask Peru's Santa Filomena cooperative to make a balance, you will definitely get a positive answer. With a 100,000 euros fair trade premium obtained over a two-year period they refurbished the village school and built a warehouse. But many other miners are disappointed. Cotapata, for instance, has hardly sold 1% of its production at fair trade conditions. The costs for certification are still higher than the revenue generated by the premium.

"Right now demand is still lagging behind supply," says Patrick Schein of the ARM. "The fair trade market still needs to develop and this requires time. Moreover, growth in the jewellery industry is mainly concentrated in Russia and Asia where fair trade is only now emerging." Another issue is the cost of the premium. Because it is expressed as a percentage, it has followed the price hike of gold. According to jewellers, this additional cost significantly interferes with sales. The mining cooperatives are clear: "If the situation does not change quickly, soon we will not be able to pay for the certification procedure any longer."

## **Split**

In their search for solutions, the FLO and the ARM decided at the beginning of 2013 to end their partnership. "We are very proud of our achievements, but by working more independently, we can make greater progress for disadvantaged miners in the future," said the press release. As of January 2014 there will not be one, but two labels for fair trade gold: the Fairtrade label and the Fairmined label. Early 2013 it was expected that the difference would lie in market conditions rather than in the criteria for miners.

The announcement of the new FLO standard in November 2013 seems to confirm this. Criteria regarding the form of the miners' organisation have been eased, which is a clear opening towards Africa where miners are not organised through cooperatives. But the main changes are further down the commodity chain. For instance, the criteria for the composition of jewels and the use of components for which there is no fair trade alternative have been reconsidered. In addition to the classical certification there is now a system for smaller jewellers who use less than 500 grams of gold or 2 kilos of silver. They are included in a goldsmiths' register without having to pay licence fees. Their products are not labelled, but they can communicate with their customers about the presence of fair gold in their product.

There is another difference with the old standard though: to keep the extra cost for the consumer at a reasonable



level so that artisanal miners can increase their market share, the fair trade premium is not a percentage of the final price any more but is fixed at 2,000 dollars per kilogram instead.

## Hope

Ook ARM also announced that in addition to adapting its standard-based certification it looks for business-to-business models for unlabeled products “to bring together brands that are open to an ethical business model with artisanal miners”. On 31 December 2013, the ARM launched its new standard. For the inspections, the ARM relies on IMO (Switzerland) and SCS (US), with the latter clearly showing that the ARM focuses on the American market.

“FLO and ARM going their separate ways may have been the best thing to jump-start the fair trade market”, says Rob Bates, journalist of the specialized jewellers' magazine JCK. FLO's Greg Valerio is also optimistic: “The re-priced product has already seen greater interest, including some very 'significant companies', who are subject to American rules on conflict minerals and want a 'clean source'. They don't want to co-brand,” he admits, but adds, “Everything we do is fully traceable and we tick that box off big time.”



Miner Américo shows a BBC-crew how he works © Oro Verde Colombia

R.E: Carl Michiels, BTC Hoogstraat 147, 1000 Brussels

**Latin-American cooperatives are also optimistic. Ana Paz is Cotapata's financial manager: “Despite everything, we do not consider the costs for certification as lost money. We have advanced and learned a great deal about organisation, the environment and employment contracts. This puts us at an advantage, especially with the Bolivian government planning to act in the mining sector.”**

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