



Global Mercury Project



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GMP & FAIR TRADE



The Role of Fair Trade for the Mercury Emissions Reduction Plan in ASM Gold Mining

Today FAIR TRADE (FT) is booming and is promised to become a mainstream market segment in almost all western economies. It generated in 2006 a turnover of 1,600 M€ involving 1,4M certified producers through 2000 brands selling FT products. 55% of the bananas in Switzerland, 20% of the ground coffee and 5% of the tea in the UK are FT. FT puts a face behind each product and applying the model to ASM Gold will, through its economical, environmental and social standards, contribute to the reduction of the mercury release in the atmosphere and water streams.

This paper will first define FT and its application for ASM Gold before looking through which mechanisms FT can contribute to the reduction of mercury release in the environment. We will then expose the field and standard setting actions GMP undertook during its first phase before defining what could be the next steps.

What is FAIR TRADE: Fair Trade Fundamentals & application to Gold

FT defines itself in opposition to classical trade. It sets the following basic statement of fact: WORLD TRADE IN ITS CURRENT STRUCTURE IS UNFAIR.

This is true for the most vulnerable which are living in the southern world and particularly for the small producers who do not have any mean to organize themselves in the actual global economy.

The poverty status of the small producers is often linked to their state of isolation, their inability to gather, or to offer a sufficient production volume to negotiate in front of the buyers. In the majority of cases markets are dominated by powerful organizations who dictate their prices to a large number of scattered and disorganized small producers.

Workers in southern world are under constant pressure. The continuous search of a lower cost price implies strong pressures on the wages and on the labor conditions of the workers.

Does the international institutions have the solution to that situation?

- The GATT, which became the WTO since 95, the IMF and the World Bank were created just after WW2 to enable the restoration and a harmonious and fair expansion of the world economy. In the absolute, WTO rules had as impact a “pure & perfect” liberalization of the world trade. The gradual adjustments of those rules had as consequences the establishment of important imbalances especially between the North and the South. Protectionism is still being used by the western world and free trade mostly benefits to the strong countries.
- The United Nations Conference on Trade and Development (UNCTAD), recommends and actively promotes fairer trade between North and South. The problem with this institution is that its power is reduced to put forward proposals faced with the WTO. Those suggestions are not binding and are rarely taken into account.
- The ILO (International Labor Organization). They do not have any juridical power.

Imposing very strict social and environmental requirements at the level of the production centers in the South Countries without giving them support nor a transition period, amounts to exclude them from the system. Favoring a sustainable expansion in those countries without any commitment in accompanying measures, or without financing the local needs for social and environmental improvement amounts to set up a barrier without allowing those countries to get over it.

FT is trying to give a credible response to that issue. When FT took place in the middle of the 60's, it offered a triple advantage to the situation of the poorest populations in the developing countries:

- Unlike the Aid provided to the countries in a cash donation form, as it is common in traditional aid, FT establishes an exchange. The financing of a project is not anymore done on a "lost fund" basis, and, quite quickly, the project becomes self-financing. It presents therefore a more sustainable nature than a project that does not allow releasing directly resources for its self-financing.
- Additionally, the sale of FT products to the North generates resources for the producers' association and thus permits at the end to its self-financing. The association is therefore less dependent on public aid, and disposes of a greater autonomy in its management. The association cannot be used for political ends by the authorities or, widely speaking, by the one who finances the project. Consumers can impose sanctions to its activity. It is the consumer who rules and decides.
- NGO are often criticized for their lack of impact evaluation of their activities and people do often doubt on their effectiveness. In FT, the project growth is naturally sustained by the consumers. The necessary means are limited to the launching of the project. FT presents tremendous potential for entrepreneurial projects outside the system of traditional public aid.

FT does not question fundamentally the liberal system; it proposes adjustments in the process of value creation so that this worth creation does not jeopardize today our capacity to respond to tomorrow's issues. FT proposes a sane and dynamic economic growth, respectful of social and environmental minimums requirements.

How this is made possible? By simply creating a direct link between the consumer and the small producer through the product and two ideas: a fair price and raising public awareness on the imbalances created by today's global trade. This is why FT applies mainly to commodity products that can be sold almost directly on the shelves (coffee, cocoa, flowers, etc.) or products which composition is almost made from such commodity (cotton T-shirt, gold jewelry).

FT is aimed at benefiting those who find it difficult to sell into the international market and to trade responsibly and profitably when they do. FT brings benefits such as access to the market, with increased sales and increased income (more direct route) as well as advice and support. Producers are expected to use these benefits to increase their organizations' ability to trade responsibly, to respect and improve the lives of those who work with them, the communities in which they work and the environment.

Today ASM Gold is a mainstream product. Between 300 and 500 tons are produced annually (15 to 20% of the world mine production) and most of all, it gives work directly to 15M people and much more indirectly (80 to 100M). Its social and economic impact in a southern economy is much healthier. As an example, during our trip to Guinea we identified that 300,000 people where mining approx. 7 tons of gold with almost no imported consumable when a Large Scale Mine (LSM) operation in the same zone produces 8 tons of gold with 2,708 direct workers and a cash cost of 400USD/oz including imported consumables and services. What's the best for the country? From a pure economic point of view both but if one interferes with the other, I would choose ASM as it gives work to people in desperate need of revenue. By buying a gold ring made of Guinean ASM gold you allow a much more broader revenue distribution than if you buy from a LSM. This is the basis of the FT Gold on which one can impose, as a consumer, a better distribution of the gold revenue to the miners through a premium for the community against standards to be fulfilled by the miners in four areas: Social, Economic, Labor and Environment.

How FAIR TRADE GOLD can contribute to mercury emission reduction

I would say in three ways. The first one can be seen directly through the implementation of the Fair Trade Environmental standards. As mentioned, an organization of ASM miners has to fulfill standards to get the FT certification. In the Environment aspect of those standards, management of mercury is contemplated. Those standards can be simple ones and GMP already have drawn their basis with its 15 International Guidelines on Mercury Management in Artisanal and Small-Scale Gold Mining.

A “green” label involving mercury can also be contemplated as a final market exists. This would encourage mercury free alternative by allowing a higher premium to the miners which would offset the productivity loss coming from the ban of mercury. Today demand for such Gold is emerging but I personally do not believe that it will become mainstream as it did in the food industry. Nevertheless, if alternative techniques can be implemented with good gold recovery, such “green” label could find its way through.

The second way FT Gold can contribute to mercury emission reduction is through education, formalization and capacity building. Better practices in the use of mercury are directly linked to the level of education which is directly linked to level of revenues. FT implies more revenues for the miners thanks to a shorter supply chain route (less actors and direct link to the consumer-see chart attached) and to the FT Premium which is paid directly to the community for a democratic use. It is a tool for poverty alleviation and allows better education for the miners. Child work is also contemplated in the standards and structured like an apprenticeship together with normal education exactly as a European 14 years old student would marry school and learning an electrician job for example. Formalization is also a condition for FT Gold and could help persuade governments to recognize ASM as a mainstream activity rather than a “parasite” one. Initiative like the G8 is pushing also towards such recognition (G8 Summit 2007 Declaration on transparency & sustainable growth in the extractive sector, Article 86, Heiligendamm, Germany).

Finally FT can help for mercury reduction emission through public awareness of the Gold mining situation. Like the “No dirty Gold” campaign raised the consumer awareness on Gold mining (“Gold mining is one of the dirtiest business in the world. the Production of one gold ring generates 20 tons of mining waste”) and focused more on LSM practices, FT Gold can raise the attention on the fact that some mining communities are trying to introduce better practices on mercury use among other objectives and by this way putting more pressure on the market for a regulation on mercury trading and usage. FT can deliver the following message to all actors “ASM is a mainstream supplier of the Gold market. Yes, it uses mercury but some communities are ready to be more responsible and you can help them by buying FT GOLD”.

Field Studies and actions during GMP1

Primary objective for my intervention was to study where FT pilot for GMP could be implemented in order to give the Program a showcase of Best Practices in ASM and to initiate it. Secondary tasks were to identify the ASM Gold Supply Chain, promote FT for ASM Gold (Millennium Gold) and represent GMP in the Technical Committee which drawn the first FT Gold Standards.

1. FEBRUARY 2006 - LONDON - UK

Purpose of the visit was to visit GFMS (ex Gold Fields Mineral Services www.gfms.co.uk) the first independent consultancy company in precious metals famous for their yearly publication on Gold offer and demand statistics and forecasts, with the aim to have their evaluation on ASM world gold production. Their numbers were quite low as they estimated this production (2005 numbers) at 150 tons of Gold. However they admitted that they never studied specifically ASM production and computed this number by difference between total production of one country and LSM and MSM (medium) one.

2. APRIL 2006 - GUINEA-CONAKRY

Initial objective was to visit the SANIMUSSO COMMUNITY to assess possibility to implement FT. It appears that behind this "Community" situated in an ASM gold mining zone, was a commercial company dedicated only in trading gold with absolutely no willingness to help the ASM miners to improve their livelihoods. Apparently the promoter of such "Cooperative" is today in prison (www.sanimouso.com). As plan B, we joined Prof. Veiga field trip in the western part of the country and visit various ASM communities and assess current situation. Conclusion of the trip was that the visited mining communities were not the major revenues beneficiary and that the landlords and gold dealers were controlling and taking more advantage of the situation. This situation was incompatible with FT principles. Also the level of organization was at its primitive stage and a primary intervention of a support organization for capacity building on community organization is a condition before the introduction of any FT model. Guinean ASM visited communities are not using mercury in their processes. Everything is manual and besides hand made pikes and calabashes they are not using any tools or instrument to concentrate and produce gold. This implies a very low productivity (estimated at 15%) and as the base objective of the program is Poverty Alleviation, first action would be to assist them to double or treble this Gold recovery.

3. MAY 2006 - MEDELLIN, COLOMBIA

Primary objective was to attend the Technical Committee for the definition of the first Standards for Fair Trade Gold initiated by the Association of Responsible Mining (ARM) (www.communitymining.org). Marcello And I are members of that committee. Besides participating actively to the trading standards, the important issue was to include mercury use in those standards. After quite animated discussions, the committee decided to allow Cyanide and Mercury use in a responsible manner and to create an additional "environmental premium" for the FT Gold produced with additional "green" standards excluding for example Hg and Cn. The Standards went after drafting on public consultation on august 2006, they were corrected and freeze beginning of 2007 and will be tested on pilot sites during 2008. Planned first certified FT Gold is due early 2009.

It was also very important to test how the community ASM miners present to that meeting was reacting to the FT Gold. Their reaction was very positive with some issues to be resolved (taxation for example). Economic incitation was strong not only for the FT premium but also for the fact that the route will get shorter with pre-financing and thus allowing the miners an increased value for their production.

4. SEPTEMBER 2006 - TAPAJOS, BRAZIL

Objective of the mission was to assess possibility to implement a FT Gold pilot site in the region with the backup of the local authorities. The Gold supply chain from mine to market was also assessed.

Paulo Carneiro's Garimpo showed a great potential to fulfill the majority of the FT standards. Its environmental, social and economic diversification was impressive. Unfortunately inclusion of his Graimpo into the ARM pilot site program was not possible, to my regret, because of the structure of his organization. Nevertheless a "Best Practice ASM Gold" label is feasible and should be contemplated for the next phase. Although, Brazilian gold regulation do not permit direct export from an ASM miner, local solutions has to be thought. I tried to involve local most famous jeweler to promote Carneiro's Gold (www.hstern.net) but with no success.

5. NOVEMBER 2006 - ANTSIRABE, MADAGASCAR

The purpose of the trip was to attend sixth CASM AGM and promote there FT Gold as a tool for poverty alleviation and positive approach of ASM through the presentation of Paulo Carneiro's Garimpo in order to built momentum of Good Practices in the ASM sector.

Main achievements of the action on Fair Trade for GMP are:

- ➔ Identify clearly the supply chain and value distribution of the ASM Gold (see chart attached)
- ➔ Identify possible ASM community to bring ASM Gold to a reality with the GMP support. This objective was not achieved but can be in the next step of the program through Carneiro's Garimpo for example.
- ➔ Convince the current FT Gold standard setting initiatives not exclude Mercury but to contemplate its use in a responsible way
- ➔ Promote ASM as a positive, responsible and mainstream activity
- ➔ Promote Fair Trade business as a poverty alleviation tool in line with MDG.

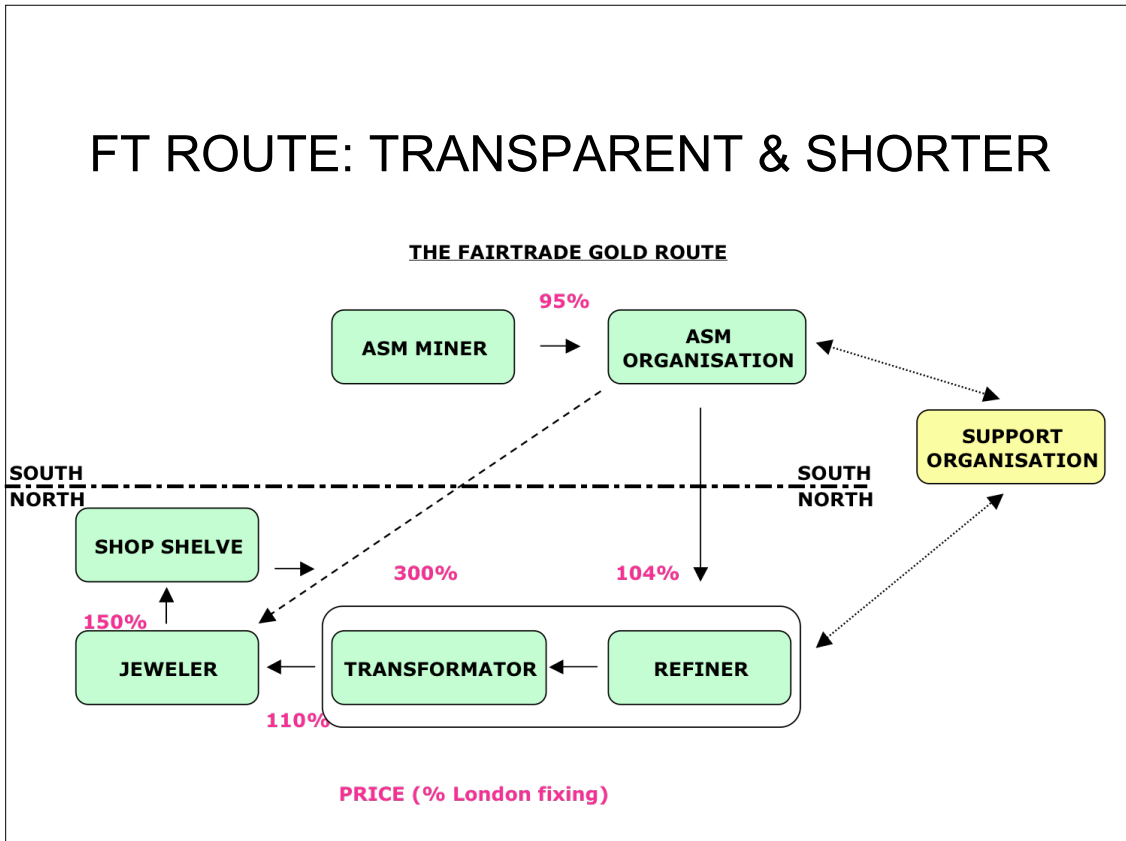
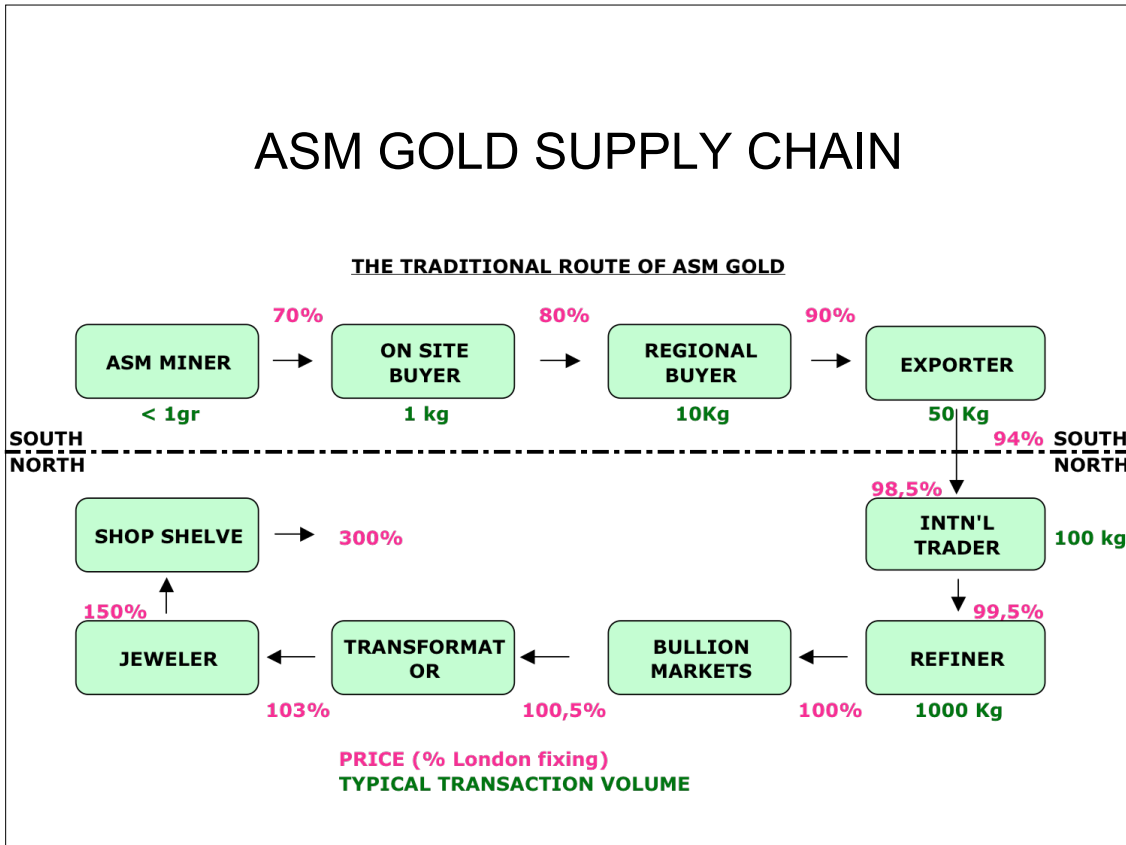
Next steps

Last 2 years observations of the jewelry market and learnings of the work done during GMP1 are:

- Any action on FT can only be done with organized community based mining. Gold rush, landlords controlled situations have to be excluded. Intermediate situations like treatment plants, joint-venture situation or employed one can be contemplated under specific circumstances and total transparency.
- Business has to be legal and gold sold through official channels. One cannot guarantee origin if gold is being smuggled or sold without any trace.
- There is a confusion for the consumer and the jewelers with all the labeling initiatives (Ethical, recycled, green, FT) and theirs exact definition and certification process.
- LSM is getting organized through different ethical initiatives and labeling (Cyanide Code, CRJP, EITI)
- The consumer ignores what is behind her/his gold ring and sole initiative which got media coverage came from No Dirty Gold campaign. This situation will evolve quickly.
- ASM miners image is starting to change in a positive way due mainly to its revenue distribution against LSM one. ASM is increasingly considered as a mainstream supply of gold.

Initial objective in GMP1 with FT was to create an ASM label and a showcase site for Gold using FT as a model. Variety of initiatives and confusion of definitions of current labels makes this goal more complex to achieve. Intermediate action for GMP could be promoting under UN umbrella an "ASM Mercury Management standard" which could be used by any label initiative. For example a FLO standard could include in its requirements the adoption of the "UN Mercury standards". GMP panel of experts and network is the best in the world and we could in GMP2 define those standards precisely including or not Minimum and Progressive ones, define the "branding" and promotion of this "label" to all current initiatives and implement the Pilot Mines like the "Garimpo Modelo" in each country with a specific configuration. By implementing such stan-

dard or label, GMP could be part of all initiatives wanting to promote ASM responsible Gold. This would permit also GMP to reach public awareness and thus draw more attention to its work and define eventually in a second phase its own standards for responsible ASM Gold or “Millennium Gold”.



Annex 2:

G8 Summit- Heiligendamm Declaration - Article 86 on Responsibility for raw materials: Transparency and sustainable growth

The artisanal and small-scale mining sector provides important livelihoods to many people in developing countries, and also contributes to global production of minerals. We are concerned that these activities often are conducted in an informal manner and do not meet minimum social and environmental standards which apply to the extractive sector. In order to better support the development of sustainable livelihoods and positive developmental impacts associated with artisanal and small-scale mineral production, we

- encourage collaborative partnerships between public, civil society and private actors in the mining sector in order to develop systems for the transparent use of funds for local development from mining companies and donors, consistent with aid effectiveness principles,
- support a pilot study, in co-operation with the World Bank and its initiatives, concerning the feasibility of a designed certification system for selected raw materials. In taking this initiative we will focus on the artisanal and small scale mining sector and work in close partnership with governments from mineral resource rich developing countries as well as industry on the basis of their voluntary commitments. The pilot study shall strive on the basis of the existing principles and guidelines, in order to comply with internationally recognized minimum standards by verifying the process of mineral resource extraction and trading. We invite major emerging economies to work with us on this issue,
- encourage support for the Communities and Small-scale Mining (CASM) initiative, housed at the World Bank, and for the multistakeholder Diamond Development Initiative (DDI), which emerged from the Kimberley Process to strengthen the developmental impacts associated with artisanal diamond mining in Africa,
- support efforts to develop techniques to limit pollution associated with artisanal mining, such as education and training to encourage the use for example of safer retorts for gold extraction.

Annex 3: STANDARD ZERO FOR FAIR TRADE ARTISANAL GOLD: Toxic Substances Use

Environmental Development

Fair Trade environmental requirements are designed to progressively minimise the most significant typical risks and negative environmental impacts of ASM. These Fair Trade requirements prioritize environmental challenges for artisanal miners which can be realistically achieved in a short or medium term. The scope of these standards is towards environmental responsibility and progressive environmental improvement, considering that for Green Premium ASM labelling, additional considerations may apply.

Management of Toxic Substances, Such as Mercury and Cyanide

The Technical committee considers that the total elimination of mercury and cyanide is not a realistic condition for fair-trade Artisanal gold, despite the environmental risks they present, because it is inefficient from the perspective of mineral recovery, and if it were included as a condition, 95% of all ASM would be excluded from the scheme. Therefore it proposes a process to support the miners organizations to minimise the use of mercury and cyanide over an agreed upon period of time, through implementation of responsible practices and technologies to mitigate impact on the environment and human health.

Minimum Requirements

4.1.1 If mercury is used for mineral processing, a mercury-free concentration process (gravimetric concentration, hand-sorting, etc.) must precede amalgamation, gradually declining to less than 10% of the total mineral + waste rock coming in contact with mercury. In principle the requirement seeks to promote a gradual decline in the amount of rock that is processed through amalgamation.

4.1.2 Amalgamation burning must not take place in domestic residences.

4.1.3 Instruments and tools used for any operations with mercury must not be used in any other activity.

4.1.4 Nitric acid for dissolving mercury from the amalgamation should not be used

4.1.5 Any residual cyanide solution must be neutralized before responsible discharge

4.1.6 Neither explosives nor cyanide, mercury, nitric acid, nor other toxic substances used for processing, should be stored in domestic residences.

4.1.7 Amalgamation tailings and cyanide waste solutions must not be discharged into water, or where they can reach the water bodies.

Progress Requirements

4.1.8 If mercury is used for mineral processing, the organisation makes progress in mercury recovery from concentrated tailings and mercury recovery from amalgam burning, making emphasis on the general acceptance of recovery technologies within the community.

4.1.9 The use of retorts or alternative mercury recovery devices by members of the miner's organization is to be considered a minimum requirement for continued certification after the first year.

4.1.10 Amalgam burning must be made only in organization premises providing privacy and security and with proper equipment and trained personnel. Distillation permits can be awarded to the premises and to the burners.

4.1.11 The organization makes progress in convincing other miners and gold buyers (not participant within the system) to use retorts or alternative mercury recovery devices.

4.1.12 If cyanide is used for mineral processing, the organisation provides - or makes significant efforts to obtain - training in correct handling of cyanide and adequate controlling of process parameters. Operators of cyanide processing units should be able to control at least pH and CN⁻ without assistance of external "experts".

4.1.13 The cyanide processing plant must be operated by personnel trained in the safe and proper use of cyanide.

4.1.14 The organisation demonstrates efforts to improve the environmental performance of their installations (avoiding involuntary losses, neutralising residual solutions, doing environmental monitoring, ensuring safe disposal of tailings, etc.) and following the general principles of the "International Cyanide Management Code" (www.cyanidecode.org).