

Position note by ISF SystExt on the Fairtrade-Fairmined standard developed by FLO and ARM and on labelling fairmined gold in France by Max Havelaar France, destined to the National Board of Engineers without Borders France (Ingénieurs Sans Frontières, ISF) and the Administration Board members of Max Havelaar

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Since July 2011, the study group « Systèmes extractifs et environnements » (extractive systems and environments) of Engineers Without Borders France (ISF SystExt) has been studying the standard Fairtrade-Fairmined (version as of 15th March 2010), created by FLO (Fairtrade Labelling Organization) and ARM (Alliance for Responsible Mining), throughout four days of work. Three main axes were considered:

Study of the auriferous industry (economic situation, extraction and processing techniques, sanitary, social and environmental impacts for both small-scale and large-scale mining) ;

Critical analysis of the Fairtrade-Fairmined standard followed by a more detailed study on governance, the positions and past experiences of the ARM association ;

Contacting with various French actors on the subject (Patrick Schein¹, Max Havelaar France, WWF, GRESEA²).

Context

The first gram of fairmined gold was put on the market during February 2011 in Great Britain by the Fairtrade Foundation. As of today, fairmined gold is produced in nine certified mines in South America. Four mines are currently being certified on this same continent and work on identifying mining communities has been launched in both Africa and Asia. Certified mines produce between 5 and 10 kg per month³. The experiment that took place in Great-Britain spread on to other European countries (Netherlands and Scandinavian countries) and fairmined gold should soon be labeled by the 24 Max Havelaar.

The standard for fairmined gold approach is uncommon because it advocates and works for the promotion of artisanal mining as efficient exploitation organizations for mineral resources as opposed to most views which defend a model based on large industrial exploitations. Such a speech seems particularly interesting, justified and pertinent.

ISF being a member of Max Havelaar France's administration board, this document aims at giving the ISF National Board and the Max Havelaar administration board members the main conclusions reached by ISF SystExt so that they will have enough elements at their disposal to decide in an informed fashion whether or not to support the fairmined gold label.

¹ Patrick Schein is a precious metals trader and refiner, CEO of Gold by gold, an ARM technical committee member, executive committee member and administration board member.

² Groupe de recherche pour une stratégie économique alternative (Study group for an alternative economic strategy).

³ According to <http://www.jewellerybusiness.com/2/blog/2011/09/fairtrade-gold-works-to-level-mining-playing-field%E2%80%933/>

Conclusions on the Standard

1) Main critics on the standard's contents:

- The standard does not set a **guaranteed minimum fixed price**, since producers perceive 105% of the LBMA rate (95% plus 10% fair trade bonus), to which can be added a possible 5% for ecological bonus. The explanation in the standard is vague and debatable. ISF is questioning the absence of a guaranteed minimum fixed price as it is what ensures in fair trade that exchanges are based on the strength of a partnership rather than on price rates' volatility. This is a strong principle and certainly the first which occurs to consumers when they think about fair trade. After exchanging with Patrick Schein, it would actually seem that this was asked for by producers and that, further down the road, a guaranteed minimum price would probably be set if the gold price rates were to fall. But in that case, why not establish this measure from the very beginning? Another explanation seems more likely: not setting this minimum price will simplify exchanges in the fair trade channel since all middlemen would calculate their price based on the LBMA rate.
- The basic **environmental requirements** included in the Fairtrade-Fairminded standard are **weak**, the certified mines being only encouraged to be "environmentally responsible". Indeed, handling the mining waste, other than oil waste, is not required by the certification (it is only considered as an "advanced requirement"). Furthermore, the usage conditions for mercury are not well-defined since its use is forbidden "if the gold extraction can be reasonably done without mercury". However, concerning the sanitary norms, ISF insists on the importance and validity of paragraphs 3.1.3 to 3.1.7 in section A of the standard, which forbid the use of mercury without recovering it in an autoclave, in everyday life zones, by untrained personnel and/or younger than 18 years old, etc. It should be noticed that the optional ecological bonus⁴ requires totally giving up mercury and other chemical products when processing the mineral. Choosing not to totally forbid mercury is based on an undeniable reality: the geologic characteristics of a deposit do not always allow processing without using chemical products at a reasonable cost. This standard is thus mostly indicative and, according to ISF, does not offer enough guaranties concerning the evolution of environmental requirements.
- As for all fair trade products, fairmined gold sold to the consumer will be **traced** in a **documentary** fashion. The standard also projects to ensure **physical traceability** for fairmined gold, as long as the costs implied are not more than the fair trade bonus. ISF wondered about the communication difficulties concerning traceability of fairmined gold around two points:
 - First, the distinction between documentary traceability and physical traceability needs some perspective given the recent problems concerning "minerals issued from conflict zones"⁵;
 - Second, the industry's different actors' understanding of traceability must

⁴ The ecological bonus for fair gold can be compared to the biological bonus for agricultural products.

⁵ The Dodd-Franck Act makes it compulsory for American electronics manufacturers to verify that their metal supply chain does not come from a conflict zone. The Great Lakes region in Central Africa is specifically identified in the act, as well as gold (with tungsten, tantalum and tin). A number of procedures are being set up to identify the origins and route of a mineral and, as such, to ensure a physical traceability, especially with the "Analytical Fingerprint" method.

be taken into account (especially the distinction between documentary and physical traceability), particularly for consumers, who often have an inexact idea of mines.

- The mining activity is generally very consuming in terms of both water and potentially cultivable surfaces. It is then frequent for this activity to create **tensions with other activities**, especially agricultural ones. ARM currently presents mining projects without conflict issues and hands a document explaining how excluded zones are chosen. However, the reject of fairmined gold inside the Fairtrade/Max Havelaar system by the producers clearly indicates that more efforts are necessary to clarify this question. The CLAC (Coordinadora Latinoamericana y del Caribe de Comercio Justo; producers network in Latin America) is opposed to setting up fairmined gold because of the competition to access lands and also because they consider that artisanal mining will never be a durable activity, or even one wished for.
- Finally, the standard **does not explicitly mention the deposit's exhaustion**, specifically the miners' **reconversion** once the mining activity has ended. And yet, this question seems essential. Even if the workers were trained and can move on to another deposit to exploit (which has always been the case), it is necessary to anticipate the moment the mine will close. Furthermore, it is nowadays estimated that, given our current knowledge on deposits found in the world, and if exploitation intensity is not controlled, the **gold world stocks will be exhausted in about 30 years**. Also, past experience concerning fair trade for agriculture has shown that it needs around 20 years before it can be considered both efficient and viable. These two facts speak for themselves: if we were to schematize, we can wonder **whether setting up a label on fairmined gold is pertinent** since this industry will only have 10 years once it starts being satisfying. It should be noted that the nine test mines in South America were already very organized mines before the standard was set up and did not need 20 years to meet the current standard's requirements. If this sector were to develop in other regions where mines are less organized, the time for setting up the proper environment will obviously longer.
- We could also wonder about the **network's construction**. It is not clear enough **how the mining communities are backed up** (which organisms and solutions, how to finance it, which decision and revision process, etc.). This aspect is even more important on a financial scale since the initial investments for a mine are very expensive and much more consequent than for the agricultural industry. Concerning the certification, FLO-Cert is the fairmined gold certifier. However, since mining is not its core business, it is legitimate to wonder on its competence in the area. Moreover, the fairmined gold certification emitted by FLO-Cert is not ISO 65, a norm that guarantees FLO-Cert's independence, the certification process' transparency, the certified product's quality, producers equality, and FLO-Cert's being monitored by an independent third-party.

2) General remarks on the approach suggested by ARM and FLO :

- ISF is aware that setting up the fairmined gold process wanted by ARM and FLO would be a **local development driving force, for some small mines meeting specific conditions**. ISF also acknowledges the quality behind ARM and FLO's initiative, which has sparked ISF SystExt's interest and pushes ISF to bring suggestions so as to **progressively and continually improve** the standard. However, **the diversity of extractive systems** on a world scale requires setting up processes or **complementary initiatives**, that would be added to the fairmined gold standard.

- This initiative **only focuses on one aspect of the gold industry**: the producers and the refiners-jewelers. According to us, the auriferous industry's problems cannot be solved by only considering this aspect. Indeed, **gold is not a necessary substance in our society**. More specifically, gold is useful to our societies mostly because it is a driving force of the economic system. Using gold for its own characteristics (for industrial use) is quite minimal. The fair trade approach has the merit to bring closer the consumer to its product and better understand the production issues. A coherent approach should then incorporate an important study on the **link between the metal and the consumer** so that the later can also wonder about his purchase approach. An important work must be done to give the larger public the keys to understanding extractive systems.
- A last question has not been raised until now but could be the topic of an interesting debate within Max Havelaar France: what are the **risks if this process were to fail** for the rest of the fair trade? Mining is rather unknown by the general public and since the global project does not focus on raising public awareness, it is possible that problems from the gold industry, and more specifically from certified mines, prejudice against the whole fair trade. A mortal accident, conflicts with other communities, fraud or theft problems (the auriferous industry is an important source of money laundering) are many potential risks. Even in mines located in occidental countries and exploited by occidental companies, the number of accidents stays high. For instance, the Mine Safety and Health Administration of the United States (MSHA) reports 16 mortal accidents in 2011 in the 12203 mines of the country (not counting coal mines) and a total accident frequency ⁶ of 2.28 ⁷. In artisanal copper mines of Katanga, one death per week is reported⁸.

⁶ The accident frequency is, for the MSHA, the number of accidents reported every 200 000 hours of work.

⁷ According to <http://www.msha.gov/MSHAINFO/FactSheets/MSHAFCT10.HTM>

⁸ According to CAROLINE SIX (2011). Les mangeurs du cuivre du Katanga, *Alternatives Internationales*, Juillet 2011 No 11.