

## 22. Ethical Section:

### 22.1 Fairtrade and Fairmined Gold by Peter Oakley

*The following article benefitted from information given by the Fairtrade Foundation during meetings with staff and the provision of relevant literature. The Fairtrade Foundation has also checked the final draft for factual accuracy regarding Fairtrade and ARM. However, Fairtrade does not endorse any speculative comments made in the article regarding Fairtrade, FLO, ARM, Fairtrade and Fairmined gold or any comments or factual information relating to other organizations mentioned.*

#### Fairtrade and Fairmined Gold

In March 2010 the Fairtrade Foundation publically stated its intention to launch Fairtrade and Fairmined Gold. Harriet Lamb, Executive Director of the Fairtrade Foundation, stated:

“The launch of Fairtrade and Fairmined standards for gold provides a lifeline for communities who find themselves at the mercy of unbalanced markets, when agriculture and other livelihoods are not viable. Many face exploitation from middle men who pay below market prices and cheat them on weight and purity of the gold content. Mining community members lack basic sanitation, clean and safe drinking water, poor housing, little or no access to education and health care and are financially unstable. The Fairtrade and Fairmined standards are an important development tool, and will complement other development interventions.”

During 2009 Fairtrade Foundation representatives had undertaken research amongst small and large scale jewellers and metal suppliers to determine the appetite for the Fairtrade and Fairmined initiative and identify what form the Fairtrade labelling standards should take, with the chosen standards being published in spring 2010. This extension of Fairtrade's activities beyond agricultural commodities required a rethink of some established approaches. This included how to set the price paid to miners and how to define sustainability in relation to mining. Another new development was a partnership between the Fairtrade Labelling Organisation (FLO) and the Alliance for Responsible Mining (ARM), who brought specialist industry knowledge and networks to the partnership. As a consequence of this, the standard is for “Fairtrade and Fairmined Gold”, with both organisations' Marks featuring on products. All Fairtrade and Fairmined Gold will be the product of artisanal and small-scale mining (ASM) operations. FLO and ARM have declared all producers will receive:



- A guaranteed Fairtrade Minimum Price: 95% of the London Bullion Market Association (LBMA) price at the export point (usually the point at which the gold is shipped out of the country of origin).
- A Fairtrade Premium payment of 10% of the LBMA price.
- An additional Fairtrade Premium payment of 5% of the LBMA price for 'ecological gold' (gold extracted without the use of chemicals)

Certified miners will be required to develop democratic, collective organisations and implement safe working practices to improve working conditions. They have to

be audited by FLO-CERT to guarantee adherence to the standard.

Fairtrade and Fairmined gold will be available in the UK, but anyone wanting to label a finished product will have to be licensed and others in the supply chain registered and audited by FLO-CERT to ensure the standards are being adhered to. For Licensees (the brand owner of the finished product), the cost of a license fee is currently 1.7% of the wholesale value of the finished product in the UK. Licensees and traders will also have to provide evidence of

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physical traceability of the gold through all stages of manufacture, including joining, blending and consolidation processes. Fairtrade and Fairmined certified products have to be “processed/manufactured separately” from non-Fairtrade and Fairmined products. Jewellers who out-source any of their manufacturing processes will need to use companies who are registered with FLO-CERT to ensure compliance. All these procedures are a consequence of Fairtrade’s commitment to a chain-of-custody approach, needing a track and trace system.

Initially nine legally established mining organizations in Bolivia, Colombia, Ecuador and Peru are applying to be able to sell their gold as Fairtrade and Fairmined. As the opportunity to apply is now open to all small-scale and artisanal gold mining organizations in Latin America more producer organizations from the region are expected to join the system from 2011. ARM is working towards establishing a network of pilot projects in Africa and Asia during 2010. Expectations are that these additional groups will be able to enter the system in from 2012 onwards.

The current aspiration is that in fifteen years Fairtrade and Fairmined gold will have captured 5% of the global jewellery market, including the key North American market. The target products are gold jewellery, pure gold commemorative coins, trophies and medals and religious artefacts. The Foundation intends to focus its launch of Fairtrade and Fairmined Gold on Valentine’s Day 2011, though if accreditations are approved in time, Fairtrade and Fairmined gold products may be available for sale prior to that date.

So what will Fairtrade and Fairmined gold mean for jewellers in the UK? Is this an opportunity to be grasped or a new barrier to be overcome? The answers depend on who you are and your role in the industry.



## Supply and Demand

The most likely short term problem is going to be a mismatch between the levels of supply and demand of Fairtrade and Fairmined gold. The demand is likely to be linked to how enthusiastically Fairtrade’s publicity campaign is received by mainstream media. From the effect the first announcements made this spring had on journalists (more on this later), I am anticipating something approaching a media frenzy come spring 2011, when there will be far more to report on. The supply and demand problem could also be aggravated by the simultaneous launch of Fairtrade and Fairmined gold in other countries. If all these markets express a strong demand they will put far more strain on supply than even the most optimistic forecasts of UK take-up could ever do.

Finding a solution is difficult due to the simple fact that gold production is overall, in economic jargon, highly inelastic. No matter how high the demand spikes, production cannot increase very much in response. In the wider gold market, this results in significant short term shifts in price and longer term drifts (a situation we are all painfully familiar with at this point in time). The Fairtrade and Fairmined gold price, being fixed to the more mainstream LBMA gold price, will not be able to reach a balance

through the price/supply ratio. Supply constraints in the short term (1-2 years) will be compounded by the need for completing accreditation procedures. When the supply and demand of Fairtrade and Fairmined gold will come into some sort of managed alignment (if ever), remains an open question.

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## **Diluting Ethics?**

Perhaps the biggest questions surrounding Fairtrade and Fairmined gold in the longer term are how big and how stable will the market be? In reality this is completely uncharted territory. Campaigners point to the current success of ethical jewellery brands. But this may be more due to the special characteristics of the current market: hard-core ethical consumers' response to the active commitment of ethical designers. As it becomes less difficult for a jeweller to claim to be ethical - just buy the license and pay the premiums - will this be seen as comparable?

The increasing number of companies declaring themselves as ethical is already diluting the term's exclusivity; in marketing-speak ethics is already becoming less of a USP (unique selling point). As ethical jewellery becomes less of a niche market the question 'what defines a truly ethical jeweler?' will become more pertinent. Dubious or badly thought through claims recently made by some businesses are also not helping the situation. They inevitably pollute all claims to ethical practice to some degree. Whether ethical credentials will evolve into a standard customer expectation, or decline into a devalued cliché, remains to be seen.

The notion of the ethical consumer is also problematic. Will mainstream consumers demonstrate the same sort of reactions to product identities and raw material provenance as consumers who are primarily driven by ethical concerns? I have noticed that those currently defining themselves as ethical consumers spend a great deal of time and effort gathering information and exploring and debating issues. Promoting and selling to such individuals is markedly different to mainstream jewellery sales. How will the currently fashionable means of promotion: celebrity ambassadors and images of excess, luxury, aspiration and emulation all fit with the new criteria? I suspect they may be far more resilient than many believe, particularly amongst key target audiences.

## **Exaggerating Impact**

Overoptimistic claims of what Fairtrade and Fairmined gold itself can achieve overall may lead to disillusionment and rejection by consumers. This issue is ultimately due to the practical constraints Fairtrade has to work within when dealing with suppliers. Fairtrade's pilot gold producers all align well with the Fairtrade requirements, being identifiable communities built on egalitarian ideals whose members are mining legitimate claims. But these requirements exclude the socially marginal, itinerant and illegal majority of ASM miners. In addition, attempts by such miners to institute 'democratic, collective organizations' in line with Fairtrade expectations will, in many cases, be seen by local political elites primarily as a political threat.

The same elites often have a direct interest in where gold being mined locally is going; in kleptocracies gold mining is a prime target for 'interventions'. Even in more accountable regimes the national government has a monopoly over gold purchasing and sets the price. The response to any proposal, no matter how well intentioned, to purchase gold above this rate is predictable. In these and other cases gold doesn't follow the simple "export and generate foreign currency" relationship that underpins Fairtrade agricultural supply chains.

Realistically, there is a wide gulf between the totality of ASM miners and the number who will be able to apply for FLO/ARM accreditation. This disparity is not currently being acknowledged, with general statements on the existence of 100 million ASM miners appearing in campaign literature, as if they will all eventually be able to benefit. At this point the campaign is being driven by anticipation. There is an expectation that future expansion will ultimately give results. But will disillusionment start to corrode enthusiasm, and will adherents start to feel betrayed?

Of particular concern is the hyperbole that sympathetic external commentators are already engaging in. Though Fairtrade and ARM cannot control or be held responsible for these claims, they potentially damage the campaign and provide ammunition for detractors. Responses to the launch this year included misleading statements such as 'What a time of jubilation! It is indeed a victory for justice and a celebration of the difference that the Fairtrade and Fairmined Gold Mark will make to millions of artisan miners.' ([w] <http://www.ecochiccollection.co.uk/magazine/ethical-business/gold-looks-green-as-fair-trade-goes-mining>)

## **Fairtrade's Reputation**

As the partner with the highest profile in the initiative, Fairtrade's reputation is of crucial importance to the campaign's integrity. Other partners, including licensees, are inevitably going to become hostage to Fairtrade's fortunes. Any attack by individuals or organizations on Fairtrade's philosophy or practices, either in relation to Fairtrade and Fairmined gold, or any of Fairtrade's other activities, will impact on consumer perceptions of Fairtrade and Fairmined certified gold jewellery products.

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There have already been challenges from different quarters. These include the 2008 Adam Smith Institute report claiming Fairtrade's activities are counter-productive, causing more poverty than they alleviate. The Institute's predictable position is that a completely unfettered market with no specific interventions would provide more opportunity for the poor in developing countries ([w] [http://www.adamsmith.org/images/pdf/unfair\\_trade.pdf](http://www.adamsmith.org/images/pdf/unfair_trade.pdf)).

A more nuanced but less widely publicized critique has been provided in the case studies of specific Fairtrade products and producers by Sarah Lyon and Mark Moberg (*Fair Trade and Social Justice, New York University Press 2010*). A very different type of complaint was made by Tomy Matthews, the founder of an Indian Fairtrade Cooperative. He believes that 'the growth of Fairtrade Certification has diluted the Mark's commitment to social justice' (*Ecologist February 2009, page 10*). Matthews warned that consumers could be subject to 'Fairwashing', where the Mark is used as a public relations tool rather than the principles being adopted by participating corporations.

There are two aspects to note in relation to these challenges. The first is that their number and virulence is likely be directly proportional to the expansion of Fairtrade's activities. The more influential Fairtrade becomes within and across different sectors, the more it is going to antagonize established vested interests and those with alternative viewpoints on the correct way to conduct business. These vested interests are now going to include those currently benefitting from the foundation's activities. The second aspect is that challenges do not have to be valid; they just need to be believed to damage Fairtrade's reputation. In both these respects Fairtrade is no different from any other organization attempting to influence public opinion.

## Some Reflections on the Issues Raised

As those of you who have been reading closely will have noticed, the issues do not all stack up together. Some depend on enthusiastic adoption and quick expansion of the Fairtrade and Fairmined gold campaign, others on its general rejection.

Other aspects are related to the inevitable issues that occur with running and developing any successful business: supply and demand, expanding market share and maintaining an organization's reputation. Drawing attention to these issues could be dismissed as scaremongering as Fairtrade already describes itself as working to a business model. But Fairtrade tends to be subject to these pressures in the extreme, due to the introduction of explicit ethics into its activities. This skews consumer perceptions regarding what Fairtrade should and should not be doing. As a result it is very exposed to attacks that 'commercially' driven companies can more easily (though not entirely) deflect.

What is clear is that Fairtrade has been remarkably successful at negotiating these hazards to date. It has consistently expanded over the past decade from an economically marginal organization to one that international corporations are now prepared to do business with. The Fairtrade logo is now recognized by three quarters of the UK population and consumers' associations with the brand are overwhelmingly positive in terms of its ethical credentials. The ability of the Foundation to continue to expand during the latest economic downturn is particularly impressive and relevant for anyone wanting to create links with Fairtrade products.

Fairtrade's continuing success can be proposed to be a consequence of having a clear set of goals and consistently presenting this in understandable terms that resonate with consumers. Fairtrade emphasizes consumer values and a direct, supportive relationship with producers in developing countries. It backs this up with promotional literature that emphasizes the human dimension of its programmes, using imagery of, and quotes by, individual producers. All of this gives the consumer confidence to believe Fairtrade is active, and 'getting stuck in' with practical interventions that make a difference to people's lives. This perception is a valuable (if intangible) commodity, the foundation of consumer loyalty and Fairtrade's success.

The Fairtrade campaign is not going to be breaking entirely new ground. Concerns over different aspects of the supply of raw materials to the jewellery industry have been intermittently raising their profile for many years. Fairtrade will be able to tap into already existing consumer anxieties that have been fed over the years by sources as diverse as anti-mining campaigns and Hollywood films. The Fairtrade and Fairmined gold initiative has two very important underlying features. Firstly, Fairtrade and Fairmined gold requires an adjustment, not a complete change, in consumer's actions. Secondly, it provides an opportunity for consumers to see themselves as addressing the problem through positive actions rather than abstinence. Nobody is being told they should stop buying jewellery. They are being told buying Fairtrade and Fairmined gold will have a direct effect on the highlighted problem. This approach contrasts with the uncertainty and potential for failure inherent in many other ethical protests and campaigns.

## The Value of Fairtrade and Fairmined Gold

Fairtrade and Fairmined gold is going to have a very prominent and influential role in the development of defining ethical gold. One reason for this is that Fairtrade and Fairmined gold is possibly the most advanced and ambitious programme, which has the potential to be the benchmark for other market entrants- either as certification systems or individual producers. The initiative has a number of features that are worth listing:

1. It clearly identifies and justifies its core ethical claim (supporting ASM miners)
2. It acknowledges and addresses other 'subsidiary' ethical issues (environmental degradation through extraction chemicals)
3. It identifies how it will fulfil its role (producer premiums and licenses)
4. It identifies how it will monitor the system effectively (the FLO criteria)
5. It addresses the issue of external 3rd party auditing (the FLO structure).

This unambiguous presentation of what the Fairtrade and Fairmined gold initiative stands for, and the clear stating of which processes it will rely on to achieve its aims, is a stark contrast to the vague and opaque claims being made by some other protagonists. For this achievement Fairtrade should be especially congratulated.

Further information on the Fairtrade and Fairmined Gold standard is available at:

[w] [www.fairtradefairminedgold.org.uk](http://www.fairtradefairminedgold.org.uk) or

[w] [www.fairtrade.org.uk/gold](http://www.fairtrade.org.uk/gold).

Anyone wanting information and assistance regarding obtaining a Fairtrade and Fairmined gold license should contact:

[e] [gold@fairtrade.org.uk](mailto:gold@fairtrade.org.uk)

The address is:

[a] Fairtrade Foundation, 3rd floor, Ilex house, 42-47 Minories, London, EC3N 1DY (UK)

[t] 020 7405 5942



*Peter Oakley has a background in analytical chemistry, art and design education and practice and regional skills development. He is currently reading for a PhD at University College London. His research is focusing on the influence gold has on the perceptions and activities of professionals working with the material. Preparation for his PhD project included training as a precious metals assayer at the Birmingham Assay Office and field visits to gold mining sites in California and Alaska. Other institutions that have supported his research include the Goldsmiths Company, the London Assay Office, the British Museum, Tate Britain, the Portable Antiquities Scheme, the British Jewellers' Association, Jewellery Connects, the Fairtrade Foundation and CAFOD.*

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*This is the fifth in a series of articles written especially for benchpeg. To read the first article for benchpeg by Peter Oakley please refer to issue 162 of the benchpeg newsletter, other articles are featured in issues 167, 173, 178. benchpeg produced an ethical edition of the newsletter in 2008 and aimed to give an overview of the ethical issues within the jewellery industry. For any comments or feedback on the series, or to request the 2008 ethical issue please email:*

[e] [info@benchpeg.com](mailto:info@benchpeg.com)

## 22.2 Fairtrade Foundation Response to 'Fairtrade and Fairmined Gold' by Peter Oakley



The Fairtrade Foundation welcomes the positive conclusions contained within Peter Oakley's article for benchpeg on the forthcoming launch of Fairtrade and Fairmined certified products in the UK. We are working with a number of commercial partners as well as our partners ARM and other stakeholders to bring products to market from February 2011 which will bring benefits directly to miners. The article raises some interesting points about the Fairtrade and Fairmined initiative to which we are pleased to have the opportunity to respond.

The article states that a key challenge for Fairtrade will be ensuring supplies of gold. The Fairtrade Foundation is confident that we can work with commercial partners to understand their needs and make it possible to ensure the consistent supply of Fairtrade and Fairmined gold. There are plans to increase supplies from additional sources not only in South America, but also Africa and Asia. Fairtrade also encourages the development of direct relationships between commercial partners and mining organisations to establish more secure supplies.

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Peter Oakley asks how secure the market for Fairtrade and Fairmined gold will be in the future. In the UK, 80% of the general public now recognise the FAIRTRADE Mark and consumer research with Globescan in 2009 showed that consumers transfer their understanding of what the FAIRTRADE Mark means on other products to gold products. Previous market research and interest received from UK jewellery companies has been positive and the Fairtrade Foundation is working to ensure it plays a key role in achieving the target of capturing 5% of the global gold jewellery market within 15 years.

The reality is that 100 million miners around the world are suffering under the current system. Fairtrade is in the early stages of its work with around two thousand miners and will work with ARM over the next few years to bring as many mining organisations into the system as possible. Fairtrade alone cannot change the position of miners working and living in countries where their rights and opportunities are being denied. However this initiative is the first to raise awareness and address some of the challenges faced by miners who are being exploited by traders in the industry. It is the miners' decision to fight for their rights and improve their situation and Fairtrade supports them in doing that.

The article mentions the Adam Smith Institute, which has published a number of reports critical of Fairtrade but has failed to offer any constructive alternative for development other than "leave it to the market". The current system of world trade utterly fails the two billion people including many artisanal and small-scale miners who work incredibly hard and yet still struggle to survive on less than \$2 per day. Fairtrade works within free market principles by extending to consumers the choice of buying products such as gold certified to Fairtrade standards that help disadvantaged farmers and workers in developing countries to secure a better deal.

Through the mainstreaming of Fairtrade we have seen a rapid and continuing increase in Fairtrade sales which results in bringing more benefits to more farmers, miners, workers and their families. Mainstreaming undoubtedly also brings with it new challenges which are being discussed and addressed by the wider Fairtrade movement.

*Fairtrade Foundation, 25 October 2010*

For further information on Fairtrade and Fairmined gold visit:

[w] [www.fairtrade.org.uk/gold](http://www.fairtrade.org.uk/gold), or contact:  
[e] [gold@fairtrade.org.uk](mailto:gold@fairtrade.org.uk)  
[t] 020 7405 5942

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## **22.3 Have Your Say on the Fairtrade Debate**

Do you have an opinion on the introduction of fairtrade and fairmined gold or the labeling of the end product? If you'd like your opinion shared in benchpeg please email:

[e] [info@benchpeg.com](mailto:info@benchpeg.com)

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## **22.4 Red Gold Film Invitation: The Effort to Protect Greatest Wild Salmon Fishery From Gold Mining**

Alaskans bring award winning film 'Red Gold' to London: Free screening and reception at the Frontline Club on the 4th November. A delegation of Alaska Natives and commercial fishermen from Bristol Bay, the world's largest remaining wild sockeye salmon fishery, is coming to the UK to bring attention to the threat of London-based mining giant Anglo American's proposed Pebble Mine. If built, it would be the largest open-pit mine in North America, directly upstream from the most valuable wild sockeye runs on Earth. The UK is the largest importer of Bristol Bay wild salmon.

A highlight of the trip is a free screening of the award-winning film Red Gold at the Frontline Club on Thursday, 4th November. Red Gold, from Felt Soul Media, tells the story of the fight against the mine by Alaska Native communities and fishermen, who rely on the salmon for their lives and livelihoods. The film has received numerous awards from US and UK audiences and was recently named one of the Top 25 nature documentary films of all time by Outside magazine.

Bristol Bay protection is also supported by prominent US and UK jewellers, including Tiffany & Co., Goldsmiths, and Mappin & Webb, who have pledged not to use gold from the proposed mine. While in London, the Alaskan delegation will announce the record number of jewellers to sign the pledge.

Come view the film. Then meet the Alaskan delegation and learn more about the campaign to protect Bristol Bay at the reception following. Complimentary appetizers and first drink.