

Commentary: Gold industry must address criticism

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By Greg Barns, special to The Northern Miner

With the gold price reaching a 20-year high, gold miners should be celebrating. Instead, a string of high-profile newspaper articles and the powerful "No Dirty Gold" consumer campaign -- both highlighting the social and environmental costs of producing gold used in jewelry -- has the industry ducking for cover.

During recent weeks, plenty of airplay has been given to allegations of environmental degradation, human rights abuses and reports of gold miners riding roughshod over protesting communities.

The New York Times is halfway through an expose, written by senior writer Jane Perlez and former 60 Minutes journalist Lowell Bergman on the environmental and social costs of gold production. The Times is zeroing in on one of the biggest players in the industry, Denver-based Newmont Mining (NMC-T, NEM-N).

The Ottawa Citizen, likewise, has just completed a four-part series highlighting the human rights and environmental records of gold mining companies in the developing world.

And The Boston Globe and The Independent in the U.K. have run opinion pieces about the "No Dirty Gold" campaign -- which has been gaining momentum and counts high-end jeweller Tiffany & Co. (TIF-N) among its supporters. This Oxfam USA/Earthworks marketing effort is designed to encourage major jewelry chains in the U.S. such as Tiffany, Zales, Rolex and Kay Jewelers to ensure that the gold they sell is produced according to principles of environmental and social responsibility.

The latest incarnation of the campaign, which was launched to coincide with Mother's Day last year, is an advertisement which reads: "Love. Romance. Commitment. Destruction." The text below reads, "We need to clean up the gold mining business before it tarnishes the jewelry industry."

Unlike diamond miners, most gold mining companies don't give much thought to where the stuff they dig out of the ground ends up. Once the gold leaves the mine gate on its way to a refiner, that's it. Yet 80% of the 2,500 tonnes of gold produced around the world each year goes into jewelry production.

As Oxfam America's Keith Slack says, "Unfortunately, consumers today aren't offered the choice between gold produced using 'dirty' practices, and gold that is produced more responsibly."

Oxfam and Earthworks want gold mining companies to commit to following "golden rules" in mining and production that are subject to independent verification. These include respect for labour standards, environmental excellence, meeting cleanup costs, ensuring communities are not adversely impacted by mining, avoiding mining in conflict areas and full disclosure of environmental and social impacts.

Past efforts to link gold producers with the jewelry industry have met with little success. But Americans alone spend around US\$50 billion a year on jewelry and watches.

So gold mining executives should see a lucrative marketing opportunity in ensuring that their companies operates in accordance with the No Dirty Gold campaign's rules.

And what of the broader issue of an alleged lack of respect by some gold miners for human rights and the environment in developing countries where regulations are less stringent and communities generally not well educated?

One of the key problems of the mining industry as a whole is the lack of education for executives of small to medium-sized companies (and even the mega-players) in human rights, sustainability principles and community building. Mining companies tend to be run by people whose education has focused on the technical aspects of extracting resources from the ground.

As a result, for many mining company executives operating in the developing world, the labyrinthine, often chaotic political landscape and the social and economic complexity that goes with it, is bewildering.

There's also a strong deal-making culture in the mining industry, which, when applied to the boardroom, is appropriate, but can have disastrous consequences when used to play off local political groups in countries like the Philippines or Peru.

So what are the solutions to the challenge laid out fairly and squarely by the media in the past month?

First, there is an urgent need for training in human rights practices for company executives. This should be a compulsory part of their undergraduate education and there should be refresher courses each year.

Second, just as banks will not lend money to mining projects without thorough technical studies having been completed, nor should they lend to companies that have not completed an independent and verifiable social impact assessment of their projects.

Finally, there needs to be one global sustainability code, formulated through an entity such as the UN or the World Bank, which companies and their financiers can use as a benchmark.

Just as the media and NGOs have focused on the global oil industry's transgressions over the past decade, now it's the gold miners' turn. But instead of knee-jerk defence, this major global employer and investor should welcome the chance to show the world that it can produce its product sustainably.

The time to start doing that is now.

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