

Viewpoint

Gold mining and the golden rule: a challenge for producers and consumers in developing countries

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Abstract

The environmental and social impact of gold mining is particularly acute and hence there has been a call on the part of numerous activists to reconsider the necessity of mining this metal when more supplies of gold are above than below ground. This is especially true since gold is eminently recyclable and is primarily used for ornamentation. However, the key issue with regard to the gold industry is that unlike most luxury commodities, the largest areas of gold consumption are found in impoverished developing countries. Cultural factors play an important role in gold consumption and Western anti-mining activists are often tepid on this issue to avoid being blamed for lack of sensitivity. Yet, if developing countries are to accuse developed countries of over-consumption and resulting environmental impacts, they must also evaluate their own consumption patterns of gold. This paper explores the ways in which this issue can be approached as an integrated societal concern. By following these measures, both developed and developing countries can avoid breaking the “golden rule” of personal accountability and reduce the potential for conflict.

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1. Introduction

In his recent book, *Environmentalism of the Poor*, ecological economist Joan Martinez-Alier begins a chapter with reference to the gold market as exemplifying “conspicuous consumption” in which “east meets west” – referring to a common affinity which different cultures have had for gold [1]. Perhaps what is even more interesting is how in this context North meets South. While usually, it is the rich countries and communities of the “North” that are accused of excessive consumption (particularly of minerals such as oil), gold is an unusual case in which “Southern” countries and communities, despite their poverty, are just as culpable.

Indeed, some of the largest consumers of gold in the world are India, Pakistan, China and Vietnam, in spite of the “luxury good” status which it occupies in the popular imagination and the fact that over 80% of it is used for jewelry [2]. Excessive consumption of gold in developing countries has thus created an uncomfortable anomaly for many activists who have blamed modern high-consumption lifestyles for many contemporary social and environmental ills.

In May of 2002, the mining industry completed a two-year process of self-evaluation to assess progress towards sustainable development in a report entitled *Breaking New Ground: Mining Minerals and Sustainable Development* [3]. The findings of its evaluation were presented before delegates at the World Summit on Sustainable Development in Johannesburg in August, 2002. Much to the dismay of many stakeholders in the mining sector, the process leading to the final report was

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boycotted by many prominent non-governmental organizations, because of a perception that substantive change in restructuring the mineral sector was not forthcoming.

A major issue of contention was the mining of this precious and persistent metal. There is little doubt that gold mining at both small and large scales involves enormous environmental changes through chemical usage and waste management concerns [18,19]. While many of these concerns could be managed through technological solutions [2], there is always an element of substantial risk in terms of occupational and environmental safety. Thus, it is quite appropriate to constantly compare costs and benefits and ask consumers and producers to consider issues of social responsibility. Environmental activists have argued that the mining of gold, in particular, is governed by human “wants” rather than “needs,” and the processes used for its extraction, which often employ mercury or cyanide, are particularly deleterious for the environment, and could not be an ingredient for sustainable development. Thus, there have been repeated calls by activist groups to have a moratorium on gold mining worldwide. In February 2004, Oxfam-America, the Mineral Policy Center in Washington DC (now called Earthworks) and 12 other activist groups around the world launched a No Dirty Gold campaign [4]. The focus of their activities is to inform consumers about the heavy cost of gold mining, and to enlist consumer support for reform of mining practices. Gold producers, particularly mining companies, are frequently cited in their literature as needing to overhaul irresponsible mining practices. These groups acknowledge that the largest consumption centers for gold are in developing countries such as India and developed countries such as the United States. They believe that consumer pressure on the suppliers of gold, both retailers and mining companies, will ultimately drive changes in the way that gold is produced. Their campaign material mentions that almost 50% of gold is mined from indigenous lands. While some indigenous groups such as the Western Shoshone Defense Project in the United States, and Indigenous Justice Advocacy Network in Australia have joined the campaign indigenous artisanal miners are noticeably absent.

The movement against gold mining on the basis of business ethics and social responsibility has gathered alarming pace in the last two years. A major milestone for the activists has been the decision of some mutual funds to divest from gold mining companies. Several mutual funds have been forced to put the question of gold mining divestment on their voting ballots for shareholders [5].

The central question which this paper seeks to address is how reforms in the gold mining sector might be introduced when demand centers are generally not being held accountable for processing and consuming

large amounts of gold. When the consumption of products in developed countries is in question, there is far greater culpability ascribed to affluent consumers. If we were to follow the “golden rule” of having the same expectations from ourselves as we do from others, might we approach the issue a little differently? Some of the specific questions this paper attempts to develop for self-assessment on the part of gold producers and consumers are:

- What is the historical culpability of colonialism with regard to gold production and consumption trends in developed and developing countries?
- Are current production and consumption patterns a consequence of policies in developed countries, and hence should the focus of reform remain on gold mining companies from developed countries?
- Would it be more ethically appropriate to also target the consumers in developing countries in the same way, and also have the same standards of cleaner production applied to legal artisanal and small-scale miners in these countries?
- Finally, should cultural determinants of “wants” for a luxury good such as gold be evaluated differently from excessive consumption of other commodities?

Recognizing the scope of the questions, this paper will only attempt to present an overview of the issues, using an ethnographic methodology. Process tracing of gold production and consumption patterns across countries is used to establish trends and infer relative responsibility for environmental and social performance. The ultimate goal of this paper is to provide cognitive clarity in conflicts over-consumption patterns between communities in the North and South and a concerted effort towards constructive reform of the gold mining sector.

2. Economic and chemical roots of reform

The calls for a moratorium on mining are a direct result of major structural changes in the banking sector, related to macroeconomic policy and credit norms that no longer require gold bullion reserves for backing currency. Since 1971, the U.S. government has disengaged from gold bullion backing of reserves. Thus, there is an enormous stockpile of gold residing in national gold repositories such as Fort Knox or in vaults of international financial institutions perceived to be serving no meaningful purpose and could supply world demand for gold through controlled releases [6]. Fig. 1 shows the above and below ground reserves of gold, which certainly strengthens the argument from the activists’ perspective regarding a diminished need for mining the metal.

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