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Activists attempt to strip gold of its lustre

Campaigns such as No Dirty Gold drill home the social and environmental costs of mining the precious metal, reports
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Until she went to Indonesia as a CUSO intern four years ago, Tracy Glynn had never given much thought to gold mining. If she considered gold at all, it was as a precious metal used to make jewellery and, on a student budget, she didn't spend a lot of time shopping.

That indifference changed when Ms. Glynn, now 26 and a graduate student in environmental science at Newfoundland's Memorial University, began to talk to Indonesian villagers about the impact of gold mining on their communities. During a second, 16-month stint with CUSO (a Canadian international development organization) in 2001 and 2002, she visited Buyat Bay in north Sulawesi. There, residents claimed that tailings from **Newmont Gold Corp.'s** Minahasa mine had poisoned fish, contaminated water with mercury and arsenic, and precipitated a rash of medical problems.

Those allegations have since become a colossal headache for Denver-based Newmont, the world's biggest gold producer. Backed by studies conducted by the World Health Organization and Japan's Minamata Institute, it insists that its operations have not polluted the bay. But the claims persist and the argument has long since ceased to be simply a local issue.

In September, five Newmont employees were detained by Indonesian police; they are now on "city detention," awaiting the results of a government probe into the pollution claims. A \$543-million (U.S.) lawsuit has been filed by villagers against the company. Fishermen in Buyat Bay complain they can no longer sell their fish. And the long-running saga has raised questions about Indonesia's investment climate and regulatory regime.

Ms. Glynn, meanwhile, has become an activist, attempting to raise awareness about the costs of gold mining. This week, she'll be handing out pamphlets and pledge cards to her fellow Memorial students. The cards -- headlined "Cyanide. Pollution. Human Rights Abuse. That's not so classy, is it?" -- are signed by the students and mailed to jewellers who make class rings. The premise is that they are in a good position to lobby for better mining practices.

The pamphlets and pledge cards come courtesy of No Dirty Gold, a U.S.-based campaign launched last February by Earthworks, an environmental group, and Oxfam America, a relief agency. "I don't think this is any different from sweat shops or fair trade coffee on campus," Ms. Glynn said recently. "Students can create positive change. The university environment is conducive for questioning and having discussions." So far, the campaign has been picked up by students at about a dozen universities, including two -- Memorial and the University of Western Ontario -- in Canada, organizers say.

In focusing on consumers, No Dirty Gold is taking a tactical leaf from campaigns that focused on so-called blood diamonds, gems used to buy weapons or otherwise fuel conflict in countries such as Angola and Sierra Leone. Such campaigns helped galvanize the Kimberley Process Certification Scheme, a joint industry-government program launched in 2002 that aims to keep conflict diamonds out of the supply chain.

And in working with students, No Dirty Gold is attempting to tap the energy and values that have led some students to seek changes in how their sweatshirts are made.

The attempt to strip gold of its lustre comes just as prospects for the metal look better than they have in years. Traditionally seen as a "safe haven" investment, gold soared to \$850 an ounce in 1980. It has spent most of the years since in a deep slump. Prices started to climb again in 2001 and gold has recently been trading at 16-year highs of close to \$450 an ounce, pushed higher by a faltering U.S. dollar, geopolitical jitters and growing investor interest in commodities.

The impact of the campaign on consumers is hard to measure. Organizers say about 8,000 people have signed up for a pledge on the No Dirty Gold website. They've also been encouraged by feedback from electronics and jewellery industry groups.

The campaign has also caught the attention of the mining industry. When No Dirty Gold launched last February, the London-based International Council of Mining & Metals accused the campaign of recycling a list of worst practices, making sweeping, unsubstantiated claims, and ignoring steps taken by responsible companies to tackle problems.

Worldwide, the mining industry is slogging through initiatives and reviews, all aimed at improving the sector's track record in areas like waste management, health and safety concerns and human rights. There's even talk of mine certification, along the lines of programs undertaken by the forestry industry to reassure consumers that their newsprint or lumber comes from responsibly managed forests.

Certification, however, is a tricky business, because mines vary widely -- based on terrain, environment, local communities and the size and type of deposit.

Meanwhile, environmental and community groups have succeeded in stalling several projects. **Meridian Gold Inc.**, a company headquartered in Reno, Nev., and listed on the Toronto Stock Exchange, put its Esquel project in Argentina -- estimated to hold three million ounces of gold -- on indefinite hold last year, after encountering a barrage of community opposition.

Similarly, Vancouver-based **Manhattan Minerals Corp.** last year wrote down its nearly \$60-million investment in Tambogrande, an open-pit copper-gold project in Peru that faced stiff opposition from local residents.

And earlier this month, Newmont stunned investors and activists alike by announcing that it would hold off on plans to expand its 51-per-cent-owned Yanacocha site in Peru -- Latin America's largest gold mine -- following a blockade by local residents.

But if few people want a gold mine in their back yard, many, it seems, want a chunk of it in their portfolios. The World Gold Council, a marketing group funded by gold producers, says investors purchased the equivalent of 58 tonnes of gold -- worth about \$791-million -- through gold-backed securities listed last year on London and Australian stock exchanges. The instruments are designed to make it easier and more appealing for investors to buy gold.

A similar product launched last week on the New York Stock Exchange. And Central Fund of Canada Ltd., a TSX-listed fund that invests in gold and silver bullion, recently closed an \$84.9-million share offering to buy more precious metals.

Fred Sturm, who manages the \$230-million (Canadian) Mackenzie Precious Metals Fund, sees the No Dirty Gold campaign and other protests as part of a dynamic tension that exists between mining -- a tough, messy business often undertaken in remote locales -- and what he calls constituents: gold consumers, investors, mining communities and non-governmental groups with ecological and social justice concerns.

"It's absolutely clear that if the environmental impact encroaches too much on local society, then the local society can choose to forgo jobs and forgo development," says Mr. Sturm. "We have seen several examples of that. However, it's generally accepted that the mining industry has the capacity to identify and create wealth."

It's that potential for wealth creation that is driving global exploration and gladdening the hearts of officials in developing countries from Mongolia to Ecuador.

Meanwhile, at the other end of the mining chain, the jewellery industry -- caught off-guard by the conflict over the diamond issue -- is bracing for more scrutiny of gold, other precious metals and gem stones.

The electronics industry, a major user of gold and other metals, is taking similar steps. In October, tech giants HP, Dell and IBM released a code of conduct to promote standards for responsible business practices throughout their supply networks. The initiative, which addresses such issues as child labour, whistleblower protection and community engagement, has since been endorsed by other major companies, and is seen as a step toward a single, global code that would replace a patchwork of company-specific initiatives.

For mining companies, No Dirty Gold and its class ring campaign are part of a scenario that sees producers battling what they say are misconceptions fostered by people who sometimes have little understanding of local development issues.

Oyvind Hushovd is chief executive officer of Toronto-based **Gabriel Resources Ltd.**, which is developing the controversial Rosia Montana gold project in Romania. While protesters have complained about the pollution and disruption they say the proposed mine would cause, Mr. Hushovd says, they ignore the fact that drainage from the state-owned mining operation currently on the site is daily polluting two Romanian rivers -- pollution that Gabriel says its mine plan would address.

Barrick Gold Corp. spokesman Vince Borg says Barrick -- Canada's largest gold producer -- operates according to stringent environmental standards worldwide and engages in community consultation as a matter of course.

For Pascua Lama, for example, a proposed new gold mine on the Chilean-Argentinian border, Barrick has already begun community consultation -- for a project not yet under construction and where production is not expected until 2009.

"Wherever we operate and develop a new project, we consult with communities," Mr. Borg says. "We engage with them and we get involved with their needs and projects and priorities and account for those in our Environmental Impact Statement and our social development plans."

The 2003 gold market

SUPPLY:

- Global mine production: 2,600 tonnes
- Official sector (central bank) sales: 617 tonnes
- Scrap: 944 tonnes

DEMAND:

- Fabrication (jewellery, dentistry, and electronics): 3,049 tonnes - roughly 80 per cent for jewellery
- Investment (including bars and coins): 931 tonnes
- De-hedging (producers buying back gold to close out hedge contracts): 294 tonnes
- Amount of gold bullion held by Canadian miner Goldcorp Inc.: 5.2 tonnes, or 168,723 ounces (as of the end of the third quarter of 2004)
- Amount of gold bullion held by Canada's Exchange Fund Acct, an account designed to promote order and stability of the Canadian

dollar on the foreign exchange market: None

OVERVIEW:

"The last of the government's gold bullion was sold in December, 2003. Proceeds from gold sales over the last 20 years have been invested in interest-bearing assets, raising the return for the EFA by \$13-billion (U.S.) more than would have been the case had the government maintained its gold holdings. Of note, the government continues to hold gold coins." - Department of Finance website

SOURCES: WORLD GOLD COUNCIL, GOLDCORP. DEPT. OF FINANCE, THOMSON DATA STREAM, NYMEX



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