

Southern Responses to Gold Certification: Cooperate, Compete, Reject, Revise

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DRAFT: UNDER REVIEW
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Southern responses to Northern-led certification programs are understandable and largely predictable if the ideas, interests, and power of key actors are accurately assessed. When alignment and power are high, Northern programs will likely succeed. When they are low, they will likely fail. When they are at medium levels, Southern actors will likely launch competing programs and producer participation might be low, but will likely skew South. This paper presents a case study of Southern responses to Northern certification of artisanal and small-scale gold mining (ASGM), which are emblematic of the latter, medium-level state. It details four key Southern responses: cooperation, competition, low uptake levels, and program revision via supplementation. The Southern-led Alliance for Responsible Mining first cooperated with Fairtrade International, then built enough capacity to compete with it. Miners' and programs' interests aligned on income and deforestation, but diverged on chemicals and legality, leading to low uptake. The Alliance responded by launching a second sustainability standard called the CRAFT Code in 2018. Whereas certification rewards the use of best mining practices, the CRAFT Code rewards avoidance of the worst. By focusing on conflict and relaxing their stance on legality, mercury use, price floors and the use of third party audits, the Alliance created a program that aligns with the majority of actors' interests, and is likely to experience broad uptake but limited effects.

Many of the world's favorite consumer goods are sourced from the Global South, a region characterized by immense resource wealth and struggling institutions. Many governments rely on revenue from the export of tropical commodities like coffee, timber, and minerals to build their economies, yet often lack the capacity to support human and environmental well-being while doing so. The result is an array of persistent problems in the Global South that effect society globally.

In recent decades, many organizations from the private sector and civil society have aimed to offset public capacity deficits by launching transnational governance initiatives in the form of voluntary sustainability standards (VSS) for global value chains (Lambin and Thorlakson 2018; Green 2013). Certification programs launched by civil society organizations are a specific type of VSS requiring third-party compliance audits and product labels to maximize their legitimacy and visibility in the marketplace (Cashore et al. 2004).

Many of these programs were conceived in the Global North to address the concerns of Northern citizens about actors in the Global South (Auld 2014; Gulbrandsen 2010). Naturally Southern actors have had wide-ranging responses to these programs, but research is only now beginning to study them (Schouten and Bitzer 2015). This Special Issue develops the literature on Southern approaches to sustainable commodity governance by presenting an array of commodity case studies. These articles and the handful before them focus predominantly on agricultural commodities, which are critical to Southern economies (Schliefer et al. 2018). Yet a complete understanding of Southern responses to sustainability challenges requires consideration of the full range of Southern commodities, particularly those that differ from agriculture in important ways.

This paper helps fill this gap by examining Southern responses to a Northern-led certification program for artisanal and small-scale gold mining (ASGM). While large-scale mining companies extract the majority of the world's gold, around 20% is extracted by ASGM, a sector characterized by small groups of miners using rudimentary methods to earn subsistence livelihoods (UNEP 2013). Both scales of production cause environmental harm (e.g. deforestation, water contamination), but ASGM is unique in its status as a leading emitter of mercury, a toxic heavy metal. Miners pour liquid mercury onto gold-laden rocks, then vaporize it to extract the gold. The vapor poisons communities locally and globally as it travels through the atmosphere and bioaccumulates in aquatic food chains (UNEP 2013).

Northern-led Fairtrade International (FLO) launched a certification program to govern ASGM in 2011. Since then, a growing literature has examined certification dynamics in the sector (Childs 2014, Sippl 2015, Fisher 2018, Hilson and Kutaula 2018). Yet few studies make Southern agency the focal point, and none chart its role in shaping the full array of VSS institutions currently governing ASGM. This paper provides these insights by answering two questions: What are the main Southern responses to

FLO's ASGM certification program, and what role did ideas, interests, and material power play in shaping these responses?

To answer these questions, the paper draws on original data from interviews with the Southern VSS organization the Alliance for Responsible Mining (ARM), Southern jewelry retailers, and researchers recently returned from Southern mining communities, as well as analysis of certification program databases and documents. The paper begins by situating itself in the transnational governance literature on the proliferation of certification programs. It then explores the roles that ideas, interests, and power might play in shaping Southern responses to them, thereby connecting to the Special Issue's framework based in theories of international regimes (Hasenclever et al. 2000; O'Neill et al. 2004). Next, it presents a case study of the four Southern responses to FLO's gold certification program: ARM's cooperation, ARM's competition, low uptake by miners and retailers, and ARM's revision of approach via launch of its CRAFT Code, a self-reporting program better aligned with Southern interests than either certification program. The paper argues that these responses are understandable and largely predictable given the ideas, interests, and power held by key actors. This paper is the first to present analysis of the CRAFT Code (launched in August 2018), and helps to provide scope conditions on the range of global commodities for which current knowledge about Southern VSS apply. It concludes by highlighting paths for future research, emphasizing the need for research focusing on Southern agency and environmental impacts.

Background: Certification Proliferation Despite Persistent Problems

Certification programs' win-win narrative makes the current multiplicity of programs understandable. A large stream of research explains their proliferation in detail. Certification programs tend to emerge in a sector when its economic and political opportunity structures align well with a founder's capacities and desires (Auld 2014, Gulbrandsen 2010). Once established, if programs are not inclusive enough of stakeholder ideas and interests, new programs will likely emerge as complements (if first-mover policy scopes are narrow) or competitors (if scopes are broad) (Auld 2014). While some programs focus on single-sectors, many others strive to grow by diversifying into new ones, preferring sectors that fit their organizational interests, possess certain attractive market features, and have activists able to lower the costs of entry (Sipl 2018a). The result is vast array of certified agriculture, seafood, timber, and mineral products in the global marketplace.

Yet this multiplicity of programs has not resulted in a multiplicity of success stories. The majority of programs are having mixed effects on the problems they aim to solve. Coffee certification creates *some* good in *some* contexts, e.g. higher wages and investments in public goods in Guatemala (Linton 2015), enhanced forest cover in Colombia (Rueda et al. 2015) and psychological (but not financial) gains in Mexico (Jaffe 2014). Yet Schleifer et al. (2018) find that certification is often not 'producer-friendly,' meaning programs burden producers with increased search and compliance costs. Seafood and timber certification likewise has mixed effects, achieving certain goals in the Global North, but largely failing to create change in the Global South, where the worst offenders and those most in need of programs' help largely reside (Gulbrandsen 2010). And some programs make problems worse (van der Ven et al. 2018).

In large part these struggles are due to the fundamental paradox at the core of all voluntary environmental programs: strong rules cause low adoption or failure to reach the worst actors, creating little environmental change; and weak rules cause more adoption and by worse actors, but create little environmental change (Cashore 2016; Vogel 2007). Struggles may also be due to tendencies in the academic literature. Research on transnational governance effects (as opposed to emergence) has grown in recent years, but there is still room for improvement (Auld et al. 2018). For example, the focus on a narrow array of sectors provides depth but not breadth of knowledge. Analysis of new sectors reveals a wealth of potentially helpful findings, such as why certification programs fail via the aquarium fish case (Bloomfield and Schleifer 2017), how their value-added for business changes by product type via the wine case (Delmas and Grant 2014), and how social stigma effects program support via the cannabis case

(Bennett 2018). Yet these insights seldom result in policy recommendations, since getting it wrong could curtail academic careers (Selin and VanDeveer 2007).

There is also the tendency among both scholars and practitioners to ignore points of tension between the context in which programs are conceived and the context in which they are implemented (Best 2014). Research is just beginning to analyze the role that Southern ideational and material contexts play in shaping Southern responses to VSS conceived in the North (Manning et al. 2012). This special issue helps build that literature by analyzing the roles that ideas, interests and power play in Southern actors' decisions to support or compete with Northern programs. In doing so, it connects with the literature on international regimes, defined here (based on analyses in Hasenclever et al. (2000) and O'Neill et al. (2004)) as groups of public and private actors working in iterative coordination to solve a mutual problem.

While once controversial, it is now widely accepted that ideas shape regime membership and functionality (O'Neill et al. 2004). When the creators and targets of governance programs agree about facts and subscribe to the same norms, program success becomes easier because actors are intrinsically motivated to change (Gneezy and Rustichini 2000). Yet this is seldom the situation in the Global South. Lower levels of education among Southern producers make reasoning about causes and consequences more difficult (Goldstein 2018a). Negative past experiences with Northern interventions erodes trust in new ones (Fisher 2018). Belief in the value of sustainable development compromises is not unanimous (Davidson 2014). And commodity production sites often spawn full-fledged (if informal) communities with entrenched norms certification's prescriptions might violate (Goldstein 2018). Therefore, in line with constructivist theories, any design or analysis of VSS should emphasize the role of domestic ideational contexts (Bernstein and Cashore 2007; Manning et al. 2012).

Ideas, in turn, often shape interests, which seldom align perfectly between Northern and Southern actors (Cashore and Bernstein 2018). As the editors note, many environmental problems lack Pareto-improving solutions—any policy will make actors strictly worse or better off (Bernstein and Cashore 2018). The more producer and certification program interests diverge, the more consumers will have to pay to incentivize change. While consumers are willing to pay more for certified coffee (Hainmueller et al. 2015), it is not clear how *much* more they are willing to pay. In such contexts of interest misalignments, Southern responses may be non-participation in Northern programs and potentially creation of their own.

While interest analysis is central to neoliberal theory, realist scholars add that actors may be willing but unable to pursue their interests due to varying levels of material power. Southern agency may be constricted, for example, by low levels of knowledge, money, or physical power (Bartley 2018). In line with Hasenclever et al.'s (2000) arguments, it is likely the interaction of all three factors—ideas, interests, and power—that explains Southern responses to Northern VSS.

Data and Methods

This paper examines how the interaction of ideas, interests, and power shaped Southern responses to Northern certification programs for ASGM. The ASGM case complements agricultural commodity case studies through its similarities and differences to these sectors. It is comparable to agricultural commodities in its employment of a large number of Southern subsistence producers who compete with large-scale capital-intensive corporations for sales in Northern markets (Sipl 2015). Production sites are geographically constrained (e.g. coffee grows in certain climates; gold is found in certain geological conditions). And low wages, child labor, deforestation, toxic chemical use and links to sub-state violence are prevalent (FLO 2013; ARM 2014). Yet gold is different from most agricultural commodities because it is non-renewable, requires ongoing acquisition of new land, and has high price-to-volume ratios. These characteristics maximize its value as a case study—its similarities make it part of the larger population of Southern subsistence livelihoods, and its differences help place parameters on the range of sectors for which previous findings are generalizable.

Data for the ASGM case study comes from several sources. Interviews were conducted by the author with Fairtrade International (FLO) and the Alliance for Responsible Mining (ARM), which are the only certification programs targeting ASGM (Auld et al. 2018). FLO is headquartered in Germany and emerged in the 1980s to unite the disparate fair trade organizations scattered around Europe at that time (Auld 2014, Manning et al. 2012). FLO now certifies more than 15 product categories, one of the most recent of which is gold jewelry sourced from ASGM (FLOCERT 2018). ARM is headquartered in Colombia, was launched in 2009, and runs a variety of VSS programs but focuses solely on ASGM. The author used snowball sampling to identify and interview leaders of both organizations in 2015, and conducted a second interview with ARM in 2018. Each interview was roughly an hour, took place by phone or in person, and focused on the evolving relationship between ARM and FLO, why producers (dis)engage with programs, and in ARM's case, the content and motivation behind their new CRAFT Code, launched in August 2018. The author supplemented this data by collecting information from the organizations' websites over time to create an original database tracking the fluctuating membership status of around 20 mining organizations since certified gold programs launched in 2011.

Original data was also collected on the experience of miners and jewelry retailers with programs. Five of the 17 Southern jewelry retailers currently licensed to sell certified gold answered the author's survey about their experience. The author further interviewed two ASGM researchers recently returned from extended fieldwork (ranging from 6 months to 2 years) in ASGM hot-spots in Peru (Ruth Goldstein) and Ghana (Timothy Adivilah). These researchers talked with and observed miners, civil society organizations, and government officials.

Analysis of the data was inductive, yet guided by this Special Issue's focus on ideas, interests, and power, which served as sensitizing and organizing devices. Grouping the data in this way enabled basic measurements of levels of ideational affinity, interest alignment, and material power (high, medium, low). Mapping these by actor revealed important points of (mis)alignments and (dis)empowerments that make Southern responses to Northern VSS understandable and largely predictable.

Results

The following is a case study organized temporally by four key Southern responses to Northern gold certification: cooperation by ARM, competition by ARM, the response of miners and Southern retailers to both ARM's and FLO's certification programs, and ARM's response to this market feedback via its CRAFT Code, a second VSS envisioned as a supplement to existing certification programs. The story of each response is told in terms of ideas, interests, and power.

Response 1: ARM Cooperates with FLO—Fairtrade and Fairmined Certification

Ideas and Interests

ARM began as a loose association of gold mining specialists working to build capacity among Afro-Colombian artisanal miners in the Chocó rainforest of Colombia (Valerio 2013). Unlike typical ASGM, the Choco miners were producing gold without mercury and living in peace despite their position in the center of a FARC stronghold. A jewelry activist from the UK discovered this work, and believed consumers in the North would want to buy the miners' gold for the same reasons they bought other fair trade products. The activist pitched the idea of certified gold to FLO, who agreed on the condition that these mining specialists organize into a formal NGO and serve as consultants on the project, since FLO knew nothing about mining or jewelry at the time.

The mining specialists agreed and the deal was accepted for three reasons. First, the UK activist brokering the deal had earned the trust of the leader of the specialists—if their leader trusted the activist, and the activist trusted FLO, then the specialists could trust FLO, too (Valerio 2013, FLO 2015). Second, the specialists and FLO shared the same interests: helping miners earn more money as a reward for

reducing the types of harm Northern consumers and grantors cared about, e.g. mercury pollution, child labor, and links to conflict.

Power

Third, the specialists and FLO had complementary capacities when negotiations on the deal began in 2009. The specialists knew mining, but lacked the knowledge and connections needed to attract Northern buyers. FLO knew marketing and certification, but lacked expertise in mining. These asymmetries gave both parties the incentive to cooperate and power to negotiate. The specialists formalized into ARM in 2009, and work on the joint “Fairtrade and Fairmined Gold” certification program began (Valerio 2013, FLO 2015).

Because of FLO’s relative institutional strength, they formally owned the program, but both groups partnered closely in its creation. The first draft of the standard was written by the UK activist, who based it on FLO’s standards for other products. The draft was then edited by both ARM and FLO until the following process was agreed upon (Sippl 2015). For gold to be sold into the system, a third-party auditor had to verify that miners complied with one of two standards: a basic standard that required mercury reduction, and an ecological standard that required its elimination. In return, the first buyer would pay miners 95% of the international gold price plus 10% for basic gold or 15% for ecological gold. The resulting gold jewelry could bear the joint program’s logo and be sold by retailers who paid a licensing fee. The joint program allowed miners and retailers from any part of the world to participate, making it a global program from inception. It ran from 2011-2013, when FLO’s initial grant ran out and the organizations had planned to pause to evaluate next steps and renew their partnership should they want to.

Response 2: ARM Competes with FLO—Fairtrade *versus* Fairmined Certifications

Ideas and Interests

After three years of partnership and market feedback, ARM’s and FLO’s interests remained aligned, but their ideas about how to pursue those interests diverged (FLO 2015; ARM 2018b). The joint program had received mostly negative feedback. Only 3% of FLO’s consumers knew certified gold existed, and those who did believed the jewelry was too expensive (Ingle and Rhodes 2016). Demand was therefore low. Miners had gone through the hassle of certifying, but nowhere to sell their gold.

ARM and FLO agreed that change was needed, but disagreed on the changes to make (FLO 2015; ARM 2018b). FLO wanted to keep the core of their program the same, and simply lower the price of their gold by changing miners’ rewards from a percentage of the gold price to a flat payment. This lower price would increase sales volumes, helping miners earn the same amount in the end. ARM was against lowering payments to miners, believing instead that new marketing strategies and sourcing models would increase demand.

Power

Unlike at the previous critical juncture, when ARM and FLO had complementary capacities, after three years of partnership the organizations had learned so much from each other that their capacities became redundant. Since both knew about marketing *and* mining, incentives for negotiation disappeared. FLO formally owned the joint program, and had no obligation to pursue strategies they believed were suboptimal. ARM now had the power to exit and compete, which it did in 2013.

From their respective program headquarters in Germany (FLO) and Colombia (ARM), they launched new competing programs reflecting their preferred strategies for change. The new programs were similar to the joint program in their global scopes and bi-level format (miners could still choose between basic and ecological standards). But important differences now exist. ARM pays miners twice as much as FLO for basic gold, and (typically) less than FLO for ecological gold. ARM bans child labor while Fairtrade (conditionally) allows it. ARM regulates water quality whereas FLO does not, but FLO is stricter on

conflict than ARM. A full history and comparative analysis of the two standards is provided by Sippl (2018b), and both programs are still active today.

Response 3: Miner and Retailer Certification Program Uptake is Limited

Program uptake by Southern producers and retailers is essential to program success. Their uptake decisions are shaped by their ideas, interests and power levels, which in turn are shaped by those of Northern consumers and Southern governments. The result is a medium amount of misalignment between the interests of producers and certification programs (who largely reflect the interests of retailers and consumers). Varying levels of producer and retailer power create the final results, which are low levels of producer uptake, and higher levels of retailer uptake, with Southern retailers choosing Southern programs.

Ideas and Interests

The priorities of both certification programs largely reflect those of certified jewelry consumers. The majority of these consumers are in the global North (FLOCERT 2018)—ARM has 120 Northern retailers licensed, FLO has 136. Yet ARM has far more Southern licensees than FLO: 16 spread across South America compared to FLO's one in Hong Kong.¹ The interests of Northern and Southern consumers are similar (Jewelry retailers 2018). While Southern retailers believe their consumers care even more about “illegal mining” than Northern consumers, all jewelry shoppers are price sensitive. Echoing Northern consumers' response to the joint program, “too expensive” is Southern shoppers' top excuse for foregoing ARM's certified jewelry when shopping. Accordingly, Southern retailers cared less about programs' Northern and Southern affiliations and more about whether they facilitate easy and timely sourcing at the right price.² With regard to deforestation, no Southern retailers thought recycled jewelry was a promising solution, so they and their customers are resigned to the inherent tradeoffs between rainforest preservation and gold acquisition. With regard to mercury, consumers globally want reductions but there is little demand for mercury-free gold, at least at current prices (ARM 2018b).

The interests of consumers and certification programs largely, but not fully, align. Like consumers programs are resigned to deforestation, formally banning mining from protected areas but offering exemptions to miners with no other options (ARM 2014; FLO 2013). Certification programs care a bit more than consumers about mercury and miners' incomes (programs seek the highest price consumers are willing to pay; consumers seek the lowest price that gets the job done).

By contrast, the interests of certification programs and miners are mostly misaligned. A major driver of their divergence is the different rates at which they discount the future (Goldstein 2018b). Because miners' lives are precarious, their preferences are based on short-term as opposed to long-term gains. This works against certification's fundamental premise that investments today will bring benefits tomorrow.

For example, short time horizons plus a lack of faith in scientific knowledge emanating from the North make the interests of miners and programs diverge on the issue of mercury. Goldstein (2018, 2018b) reports that most miners in Peru “don't believe at all” that mercury is hazardous. Since vapors are odorless, invisible, and their families have used it for generations, they believe rumors of its toxicity are just another instance of “white green colonialism.” Adivilah (2018) reports that in Ghana some miners might believe that mercury is harmful, but “they are hungry,” meaning their interest in earning money to alleviate problems today outweighs their interest in alleviating problems tomorrow (mercury poisoning and its symptoms increase with exposure and over time).

Short time horizons also make miners' and programs' interests diverge on the issue of legality (programs require it). On the one hand, miners would love to acquire legal permits for the livelihood security and positive identity they might provide. Miners are often involved in law-suits in which documents proving their right to work a parcel of land would be helpful. And miners resent being called

¹ For comparison, in the coffee sector, Latin America has 8 licensees and Africa has 279 (close to Europe's 386) (FLOCERT 2018).

² The exception to this being two Southern retailers who built their advertising campaigns around a Colombian story lines.

“criminals” when they see themselves as resilient, resourceful, responsible entrepreneurs. On the other hand, Southern government interests are such that permits are scarce and slow to arrive. In Peru there is an 8 year backlog of applications (Goldstein 2018b). In Ghana permits can only be approved by one specific government official who has many additional duties and is located in the capital (far from the mines) (Adivilah 2018). So despite wanting legality, miners prefer to mine “illegally” than to wait.

Southern governments are reluctant to increase permits for ASGM for several reasons (Goldstein 2018b, Adivilah 2018). First is their position as mediator in global debates on sustainable development governance. Southern governments believe that partnership with Northern governments and consumers who want to protect rainforests and curb transboundary pollution is a good thing, especially when such multilateralism brings additional financial assistance to the South. Southern governments would further like to appease Southern NGOs, who (like the North) hold them accountable for these problems, and highlight the role of ASGM in creating them. At the same time, miners’ unions are very strong in Peru and Ghana (although not in all mining countries), so governments often need to provide livelihoods in exchange for miners’ votes.

The compromise governments often strike is to make only a small number of permits available to ASGM (Adivilah 2018; Goldstein 2018b). This way, the majority of legal mining is undertaken by large-scale mining firms, whom they believe are less environmentally problematic because they have the resources to clean up after themselves. ASGM gets the small remainder of permits, meaning the majority of ASGM happens illegally. Governments win because those with permits are happy, and those without permits are kept moderately happy through the norm that governments will not prosecute unless provoked (i.e. a mining group attracts negative publicity). If negative publicity occurs, governments can save face by saying these miners are “criminals” operating illegally. If no negative publicity occurs, governments often win again by collecting private taxes from illegal miners as a ‘thank you’ for allowing them to operate. So governments prefer to keep ASGM permits at status quo levels, which keeps certification uptake at low levels, too.

What both miners and governments want most is for “legitimacy” rather than “legality” to become an internationally acceptable norm (ARM 2018b; Adivilah 2018; Goldstein 2018b). Legitimacy requires miners to abide by the law and coexist peacefully with stakeholders, but recognizes that miners might not have formal permits while doing so. Although this does not provide miners with as much security as permits, it is an improvement on the status quo. And legitimacy fixes nearly all of Southern governments problems except for pressure from Southern NGOs, who do not tolerate any level of deforestation, which expanding ASGM requires.

Power

Miners are pursuing their interests by responding to programs in five ways: certification, decertification, downgrades, attempts, and non-participation (ARM 2018b; author’s database). Since 2013, 13 mining groups gained and maintained certifications: 8 with ARM, 6 with FLO (one is certified with both). During the same period, 6 mining groups tried certification but decertified (a roughly 50% drop off rate). Nearly all miners certify under basic standards (the sole ecological mining group is certified under ARM). And 9 mining groups are attempting to certify but have not achieved it yet. Most certified miners are in South American (Colombia, Peru, Bolivia), although ARM has one group in Mongolia, and FLO has one in Kenya. The attempts are all occurring in Africa (Kenya, Uganda, Tanzania and Ghana). The vast majority of miners—99.99%—are not participating in certification programs. These uptake levels are low in absolute terms, but are also relatively low compared to certification’s growth in other sectors, such as coffee and wine, which had many more certified groups at the same point in time (FLO 2018).

The degree to which these responses result from agency varies according to levels of three capacities: knowledge, money, and governance skills. Not all miners had capacity to act on their interests. The voluntariness of their responses to certification programs falls into three categories: more voluntary, less voluntary, and unclear.

A first group of miners enjoyed full agency over their decisions, largely as a result of high financial capacity. While the average miner is in poverty, the average miner who gained and maintained certification is not (author's database). The average certified miner was above the poverty line prior to certification, making the technical and auditing investments more attainable and enabling them to weather both literal and metaphoric storms (e.g. floods, mine collapse, payment delays) more easily than miners living closer to the poverty line. But not all miners who tried certification and had the capacity to stick with it chose to do so (ARM 2018b). Sotrami was a very large and relatively wealthy cooperative in Peru that first certified under the joint program and continued certification under both competing programs. Eventually Sotrami was successful enough to choose between staying with their current, very prescriptive programs or switching to a less prescriptive VSS, like the Responsible Jewelry Council's program. In 2017, they chose the latter and decertified.

A second group of miners enjoyed less agency over their decisions, decertifying from programs due to lower levels of financial and governance capacities (ARM 2018b). Income was the primary driver of behavior for two cooperatives. Oro Verde was located in an area of Colombia that was very remote and ecologically protected. This context made their production volumes low (they only had permits for low-impact panning methods) and logistical costs high. They wanted more profit, so applied for a permit that would allow them to use larger-scale equipment. The government said no—those permits were already allocated to large-scale companies. Rather than resuming mining at status quo income levels, they decertified in 2013. Like Oro Verde, Cotopata in Bolivia was small and remote, and their business model suffered accordingly. When they additionally were hit by a decrease in demand, they decertified from the joint program.

For other 'lower agency' miners, governance capacity arose alongside financial issues to drive decertification (ARM 2018b). Aurelsa could not eradicate undocumented mining on their parcel, which caused them to lose their legal permit. They subsequently lost their gold vein, too, but would have decertified, regardless. Iquira certified with ARM in 2015, added FLO certification in 2016, then decertified from FLO a year later, continuing with only ARM. Their exact motives are unknown, but certifying under two programs adds costs, and ARM (2018b) guesses that Iquira chose ARM because "we'd been working with them since the beginning" and "we pay twice as much as FLO." SAMA in Uganda worked toward certification for years, finally achieved it in 2016 with FLO, but is decertified as of 2018. Their path to certification was plagued by management issues (e.g. internal disputes) and the collapse of part of their mine (Fisher 2018). Similar issues likely drove their current suspension. An inability to resolve problems signals lower levels of capacity.

The third group of miners are those who have never certified, and their levels of agency are unknown. Are they actively rejecting programs, or are they simply unaware of them? What *is* known is that to date no miners have initiated contact with programs (programs initiate contact) (ARM 2018b). And none of the miners researchers spoke with in the mining 'hotspots' of Peru and Ghana knew ARM and FLO existed (Adivilah 2018; Goldstein 2018b).

This lack of knowledge plagues retailers and consumers as well (Jewelry Retailers 2018). Despite ARM's campaign to recruit Colombian retailers, none of the ARM licensees surveyed learned about certification from ARM. They learned about ARM through friends and their own research, pathways that only exposed 2 out of 5 retailers to alternative program choices (two retailers learned about the Responsible Jewelry Council and Initiative for Responsible Mining (IRMA)). None of the retailers interviewed knew that FLO had a gold certification program too, despite some being inspired to sell ethical gold from the sale of other fair trade products.

As for Southern consumers, their top excuse for not buying certified jewelry after 'it's too expensive' was 'not knowing enough' about ARM. It is not clear whether this knowledge deficit also applies to mercury, but it might. Demand for mercury-free gold seems suspiciously low given consumer interests. Intentional and informed or not, consumers are clearly exerting power that shapes miners responses to certification. Coodmilla in Colombia certified with ARM circa 2015 and achieved Ecological certification. Soon after, demand for ecological gold became prohibitively low—they could not sell their

gold on international markets. Demand for basic gold was higher, so they sold their ecological gold at basic prices and downgraded to basic certification within the year (ARM 2018b).

Finally, Southern governments are also shaping miner responses to certification by limiting the number of permits and protecting those issued via military power (Adivilah 2018; Goldstein 2018b). In Peru, the government has bombed illegal mining sites. In Ghana, they have placed a moratorium on all mining—legal and illegal—until they can decide what to do with the sector. The moratorium is enforced by a special military unit, and curtails any certification attempts in the country. At the same time, governments are actively building capacity in the sector through engineer-led educational programs and partnerships with Northern governments involved in mercury governance (Sun 2017). This would enable more miners to certify if governments expanded the number of permits available, but their interests prevent them from doing this.

Response 4: ARM Revises to Offer Supplemental Program—CRAFT Code VSS

As in the past, ARM’s interests remain unchanged while their beliefs about how to pursue them evolve. Endowed with the capacity to pursue their interests in a variety of ways, in 2018 ARM launched its second VSS aimed at ASGM reform: the Code of Risk-mitigation for ASM engaging in Formal Trade (CRAFT Code).

Ideas and Interests

CRAFT was created to address the needs of both upstream and downstream supply chain actors (ARM 2018, 2018b). Upstream, miners were struggling to certify despite wanting to improve their operations and sell more gold. ARM came to believe that certification was out of reach for most miners, who would benefit from a ‘stepping stone’ program that helped build their capacity to certify in the future. Downstream, gold buyers (e.g. refineries, manufacturers, retailers) were facing new pressure from new public regulations targeting conflict minerals (tin, tantalum, tungsten, and gold). The OECD Due Diligence Guidance (DDG), the US Dodd-Frank Act, and the EU Conflict Minerals Regulation all require companies to document the supply chains they are using and identify whether any portion of them operate in Conflict-Affected and High-Risk Areas (CAHRAs). If they do, companies must stop using that supply chain or take measures to ensure that their suppliers are not linked to violent non-state actors.

A major problem with these conflict mineral laws is that they were designed predominantly for buyers sourcing from large-scale mining companies as opposed to ASGM (ARM 2018b). This exacerbates ASGM’s market access problem—many buyers already avoid the sector because its supply chains are more complex and less understood, and therefore more expensive and risky to work with. Nevertheless, ASGM frequently occurs in CAHRAs, so disenfranchising the sector deepens rather than mitigates the ‘conflict gold’ problem because miners lose access to formal markets and sell to black markets instead. ARM created the CRAFT Code to help rectify this situation. It is a free, open-source, due diligence guide that, if followed, brings ASGM into compliance with these new conflict mineral laws.

The basic idea of the CRAFT Code is that miners write a “CRAFT Report” for buyers detailing their status on the “pass/fail” requirements detailed in each CRAFT module (see Table 1 for a summary of the CRAFT Code) (ARM 2018). Together, the modules require the neutralization or mitigation of the OECD DDG’s “Annex II” risks, such as child and forced labor, illicit financial flows, and relationships with armed groups. They further suggest that miners aspire to address “non-Annex II” risks, such as environmental degradation, unsafe and discriminatory workplaces, and relationships with other stakeholders.

Table 1: CRAFT Code Self-Reporting VSS		
Sequence	Standard Requirements: Pass =	Pass Enables Producer to:

Module 1:	Organization	Nominate a Responsible Person from the ASM Mineral Producer (AMP) able to write or oversee writing of a CRAFT report on conformity with Modules	Apply
Module 2:	Legitimacy	Document attempt or willingness to legalize (depending on country context), attempt to sell through state-approved channels (if present); dialogue with local stakeholders, absence of complaints against AMP from local stakeholders	Sell as Candidate
Module 3:	Annex II Risks— High Priority	Affirm absence of certain types of child labor, forced labor, extortion Obtain third-party confirmation that: no claims of violence are filed against AMP members (or if claims exist, perpetrators are evicted from AMP); AMP does not exist in a Conflict-Affected High Risk Area, or if it does, neither the AMP nor AMP’s transport routes are controlled by non-state armed groups or associated with war crimes	
Module 4:	Annex II Risks— Medium Priority	Make and adhere to plans to manage risk of extortion, bribery, money laundering, tax evasion, hiring security forces known for abusive practices Make and adhere to plans to disclose data to EITI, track the origins of minerals sold, foster peaceful relations with public and private security forces Document all payments to public officials	Sell as Affiliate
Module 5:	Non-Annex II Risks—	Include in CRAFT report aspirations to create an improvement plan for at least one of these issues: child labor; sexual violence and harassment; discrimination; safety rules, equipment, and first aid; whole ore amalgamation and amalgam burning; cyanide leaching; water contamination; community integration and coordination with Protected Area authorities, farmers and ranchers, large-scale miners, water users; complaint procedures and decision-making structures; formalization beyond legitimacy	Continue to Sell as Affiliate

There are two key differences between the CRAFT Code and ARM’s Fairmined standards (ARM 2018, ARM 2014). First, the CRAFT code is a self-reporting program—there are no external audits required, which lowers the costs of compliance for miners. Module 3 does require third-party confirmation on claims about certain issues, but this is supposed to be given for free by actors such as international human rights bodies, local newspapers, or NGOs. Second, the programs prioritize different issues. In creating CRAFT, ARM relaxed its stance on legality, mercury use, and price floors. Acknowledging that wait periods for permits are prohibitively long and laws are seldom enforced, CRAFT requires miners to become legitimate, but not legal. CRAFT likewise acknowledges that miners have several competing priorities, allowing them to choose which issues beyond conflict and labor rights to “aspire” to address (Module 5 only requires aspirations, and none need to be environmental). ARM hopes that these changes will attract Northern buyers needing to comply with new conflict mineral laws and desiring positive publicity (sourcing from ASGM can be framed as philanthropic). Buyers will negotiate a price that is likely higher than black market rates but lower than certification, which ARM hopes will reconcile the opposing interests of miners and consumers. ARM believes that as miners’ wealth and capacity increases, they will naturally desire participation in their more stringent and rewarding certification program.

Table 2 summarizes Southern actors’ interests on ASGM issues. It highlights the significant misalignments that exist between miners and certification programs, as well as the improved alignments offered by ARM’s CRAFT Code. CRAFT aligns with miners on 5/5 issues (compared to certification’s 2/5 issues), aligns with governments on 2/5 issues (compared to certification’s 1/5 issues), and addressing

Northern consumers concerns about conflict, which appear equal or greater than their concerns for the environment.

		In Favor	Ambivalent	Against
Environment	Less Deforestation	NGOs	Governments Customers	Miners Certifications CRAFT
	Less Mercury	NGOs Certifications	Governments Customers	Miners CRAFT
Law	More Legality	Certifications	Miners Customers (?) CRAFT	NGOs Governments
	More Legitimacy	Miners Government CRAFT	Customers (?)	NGOs Certifications
Economics	More Income	Miners Governments Certifications CRAFT	Customers	NGOs

Power

ARM had the power to invent the CRAFT Code in part because of its ongoing accumulation of knowledge and relationships in the ASGM governance space. Unlike its certification program experience, ARM developed CRAFT in partnership with a wide array of stakeholders, including artisanal miners from five countries, non-jewelry businesses, the United Nations Environment Program (ARM 2018). The second power ARM possessed was organizational: compared to FLO, ARM has more power to innovate because its mission is based on a product category, not a policy approach. Policy innovation could threaten FLO if consumers became confused by a weaker standard or new approach to one product, but not others. Such reputation contamination is a known risk for hybrid social enterprises like certification programs when they use diversification to grow (Fosfuri et al. 2016).

CRAFT's better alignment and lower compliance threshold may make it more attractive and accessible to miners than either certification program. Southern governments and global consumers likewise have the incentive and capacity to support it. Consumers will need to push gold buyers to use it, just as they pushed governments to regulate conflict gold (due diligence is now required by law, but sourcing from ASGM remains voluntary). Southern producer opportunities and responses to transnational commodity governance remain a function of their own ideas, interests and power, as well as those of other global actors.

Conclusion

This paper provided a case study of Southern responses to Northern-led certification programs in an understudied yet critically important sector: ASGM. Given the ideas, interests, and power held by key public and private actors in this commodity chain, the four Southern responses to the idea of certified gold—cooperation, competition, low uptake, and revision—naturally align with the framework's predictions. When ideas and interests are well-aligned, and power levels are high, Northern certification programs are likely to succeed. When there alignments and power are low, non-VSS forms of governance may replace them. When levels are in between, Southern actors are likely to launch their own programs

that better serve their interests and preferred strategies. Program uptake levels may still be low, but if a choice exists, they will likely skew South.

The ASGM case is emblematic of this in-between state. Certification program and miners' interests are split. They align on deforestation (a requirement of mining expansion) and maximizing miners' incomes. They diverge on mercury (miners lack intrinsic motivation for change) and the law. Certification programs demand legality, which miners like but governments resist. Both governments and miners would prefer a norm of legitimacy, but certification programs have no experience with this, therefore it is risky. When coupled with the varying capacities of miners to certify and programs to evolve, it is understandable that uptake of certification is low, and that ARM created its competing program then its supplementing program in an ongoing attempt to prioritize miners' interests while still pursuing reform.

This case study enters conversations with several scholars and highlights paths for new research. It provides helpful counter examples to the Southern palm oil programs studied by Shouten and Bitzer (2015), which differentiated themselves from Northern programs by restricting themselves to national boundaries and appealing to alternate audiences. In contrast, ARM's certification program largely mimicked FLO, and both it and CRAFT were global from inception and target the same audiences. Future research should analyze whether CRAFT serves as a supplemental program to certification (its stated intention) or serves as *de facto* competition. It may prove to be an example of race-to-the-bottom dynamics instead of being a 'stepping stone' program towards better industry practices. Research should also compare producer uptake levels and changes with those of other sectors to learn what is 'normal.'

This case study also showed that a myriad of actors' interests and power levels shaped Southern responses. Research on understudied gold value chain actors (e.g. gold refineries and manufacturers) would be helpful, as would deeper research on consumer values and behavior (e.g. demand for environmental versus conflict VSS; tolerance for 'legitimacy'). Deeper research on Southern consumers' preferences would be particularly valuable and dovetail with the growing literature on South-South trade (Schliefer and Sun 2018). The case study further complements Manning et al.'s (2012) finding that national governments are important promoters of private governance. Depending on government interests, the gold case shows they can also suppress certification's growth. As the implementation of the UN Minamata Convention on mercury unfolds, identifying points of public-private tensions and synergies will help build the growing stream of mercury literature (Selin 2014; Sun 2017).

Finally, research should continue to evaluate the impacts gold and other transnational commodity governance programs are having on the problems they were created to address. Research should evaluate, for example, the CRAFT code's short and long-term impacts on environmental issues (its relegation of these to its final, optional, "aspirational" module is worrying, but perhaps unfoundedly so). In doing so, research could explore the right actor type to raise awareness about programs. In Peru and Ghana, miners trusted government representatives more than NGOs (Adivilah 2018; Goldstein 2018b). Taken together, the insights provided by this case study and the set of testable propositions emanating from this Special Issue will help develop practical and scholarly knowledge about the prospects and limitations of transnational commodities governance. Such knowledge can help guide this governance approach toward the commodities and environmental problems for which it is a good fit, benefiting people and the environment globally.

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