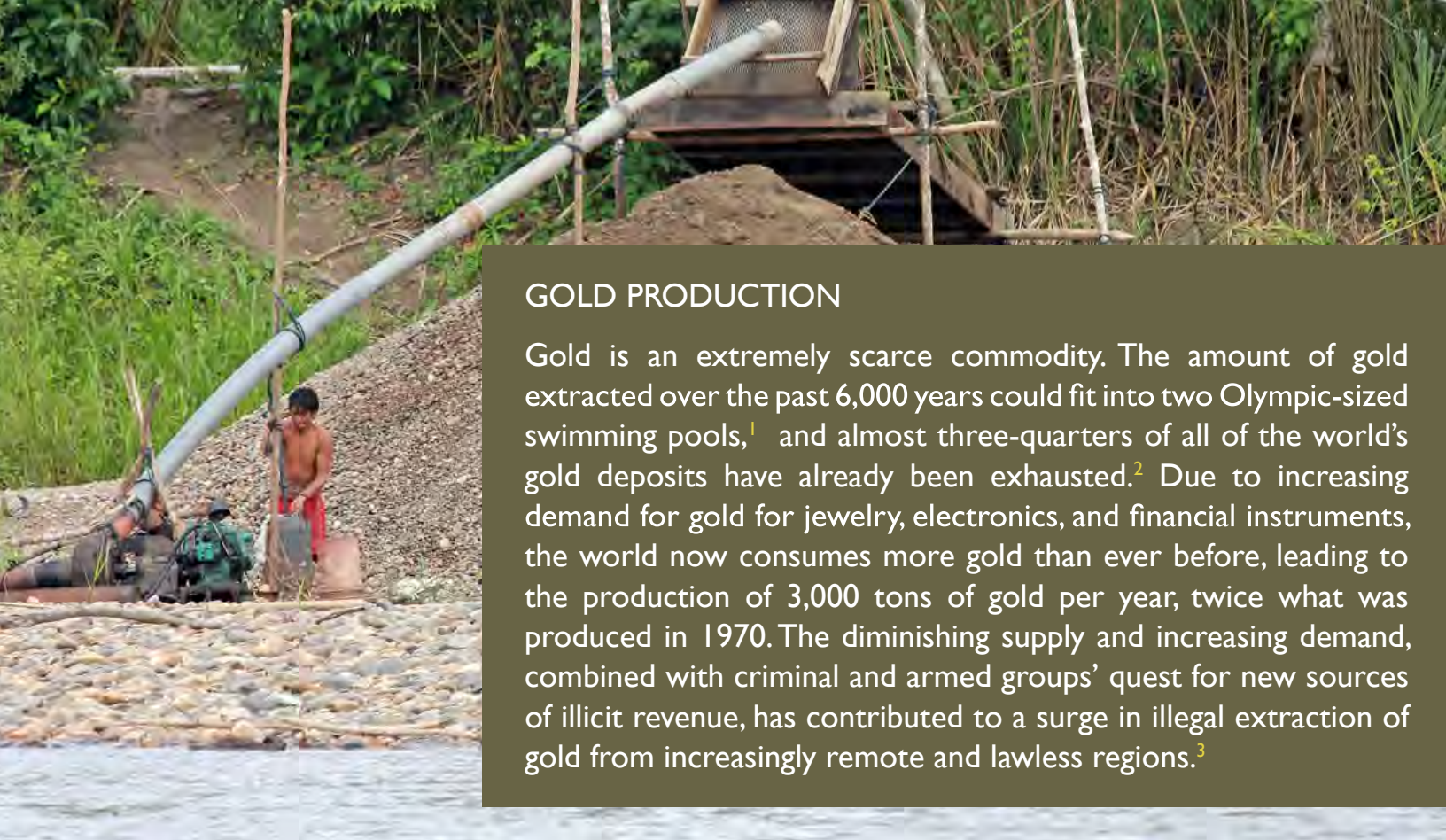


VERITÉ®

# The Nexus of Illegal Gold Mining and Human Trafficking in Global Supply Chains

Lessons from Latin America





## GOLD PRODUCTION

Gold is an extremely scarce commodity. The amount of gold extracted over the past 6,000 years could fit into two Olympic-sized swimming pools,<sup>1</sup> and almost three-quarters of all of the world's gold deposits have already been exhausted.<sup>2</sup> Due to increasing demand for gold for jewelry, electronics, and financial instruments, the world now consumes more gold than ever before, leading to the production of 3,000 tons of gold per year, twice what was produced in 1970. The diminishing supply and increasing demand, combined with criminal and armed groups' quest for new sources of illicit revenue, has contributed to a surge in illegal extraction of gold from increasingly remote and lawless regions.<sup>3</sup>

# Introduction

In-depth research carried out by Verité has found that Latin American countries export staggering amounts of illegally mined gold, which is tied to human trafficking, as well as legal and reputational risks for major companies with gold in their supply chains. The Global Initiative Against Transnational Organized Crime, with which Verité has been closely collaborating, recently released an in-depth report thoroughly documenting the close link between illegal gold mining and organized crime, which fuels violence, environmental damage, corruption, money laundering, displacement, and human trafficking for sexual and labor exploitation. Forthcoming Verité publications include a research report focusing on illegal gold mining in Colombia and

***Latin American countries, along with Canada (which is a major conduit for Latin American gold), constitute all top ten exporters of gold to the United States.***

a white paper with detailed recommendations for companies and other stakeholders to ensure that illegally mined gold does not enter into company supply chains and the vaults of central banks. This primer provides analysis of the risk of labor trafficking linked to illegal gold mining in Latin America, drawing upon in-depth field research carried out by Verité in Peru in 2012-2013 and in Colombia in 2015, and desk research carried out across the Latin American region.

Latin America is a vitally important player in the global gold trade, contributing 20 percent of the world's gold production in 2013.<sup>4</sup> Gold exports play a critical role in the economies of many Latin American countries. Gold is Peru's top export and the fourth largest export for Colombia.

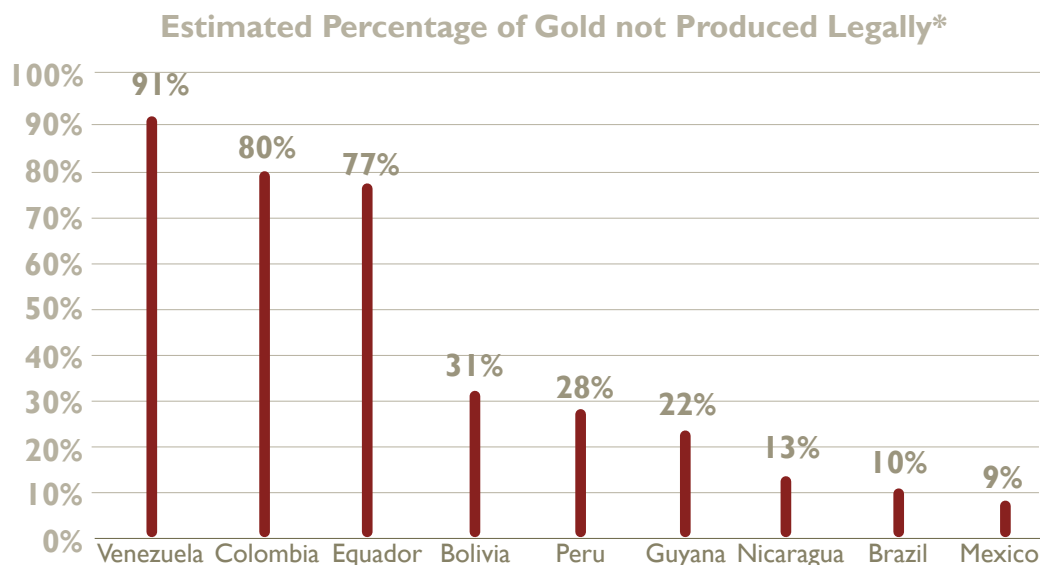


Due to its proximity to the U.S. and Canada, Latin America is the main supplier of gold to these countries, exporting approximately three-quarters of the gold imported by the U.S.<sup>5</sup> and two-thirds of the gold imported by Canada.<sup>6</sup> Latin American countries, along with Canada (which is a major conduit for Latin American gold), constitute all top ten exporters of gold to the United States.<sup>7</sup> Gold directly exported from Latin America also constitutes one-fifth of the gold imported by Switzerland,<sup>8</sup> through which at least 70 percent of the gold produced worldwide passes through at some point for refining.<sup>9</sup>

# Illegal Gold Mining

## THE SCALE OF THE PROBLEM

Illegal gold production is rampant in Latin America. In several countries, unregulated illegal and informal mines account for over 75 percent of gold produced. In Peru and Colombia—the two largest cocaine producers in the world—the value of illegal gold exports has in recent years surpassed the value of cocaine exports, becoming the largest illicit export from these two countries.<sup>10</sup> Illegally mined gold is “laundered” and exported, with the help of corrupt government officials, to prominent refineries in the United States, Switzerland, Italy, and the United Arab Emirates, which supply some of the biggest central banks, jewelry companies, and electronics producers in the world.



\*Based on an analysis of production and export data carried out by the Global Initiative Against Transnational Organized Crime



Latin American countries export staggering amounts of illegally mined gold that is linked to human trafficking and makes its way into the supply chains of major electronics and jewelry companies and central banks.

In contrast to other goods produced by organized criminal groups such as cocaine or heroin, illegally mined gold can easily be laundered to conceal its criminal origins. Unlike illicit drugs, illegally mined gold becomes a legitimate consumer commodity and moves easily and legally across international borders.<sup>11</sup> By buying illegally produced gold, companies and central banks effectively fuel conflict and finance criminal groups that subject workers to forced labor, take over vast stretches of land, and foment corruption and impunity.<sup>12</sup>

There are important distinctions between informal mining and illegal mining. In general terms, illegal gold mining is carried out in blatant violation of the law and with no intention of formalizing; this includes mining that is carried out in environmentally protected areas, in open violation of labor or tax laws, or by criminal groups.<sup>13</sup> Verité's research has found that while illegal and informal mining are often lumped together under the auspices of artisanal small-scale mining (ASM), many of the illegal mining operations in Latin America investigated by Verité were far from artisanal or small-scale, involving millions of dollars of investment and revenue, heavy machinery, and workforces of hundreds of migrant workers. Small-scale, informal artisanal miners are often treated similarly to criminal groups that control large-scale illegal mining operations and oftentimes extort small-scale miners under the threat of violence. The workers employed by illegal mines are also frequently treated as criminals rather than as potential victims of human trafficking. Such criminalization increases their vulnerability to human trafficking, and takes attention away from the real problem: the criminal actors that control huge swaths of territory and contribute to conflict, environmental devastation, and human trafficking. Precisely because illegal mines operate clandestinely and fail to abide by the law, the workers employed in these mines are generally poorer, more marginalized, and more vulnerable to extreme forms of labor exploitation, including forced labor and human trafficking.<sup>14</sup>

Verité field research has found that organized criminal groups, paramilitaries, and guerrillas are heavily involved in illegal gold mining in Peru and Colombia,<sup>15</sup> profiting from gold extraction and human trafficking and using gold to launder illicit proceeds. These groups include familial mining clans and drug trafficking organizations in Peru, as well as the Fuerzas Armadas Revolucionarias de Colombia (FARC) and Ejército Nacional de Liberación (ELN) guerrilla groups and the Urabeños and Rastrojos criminal bands (BACRIM) in Colombia. While the recent signing of the peace negotiations with the FARC may at first seem encouraging, there is already evidence of fracturing of the FARC,<sup>16</sup> as well as clashes with and between the BACRIM in order to establish control over the illegal mining areas.<sup>17</sup> International organized criminal groups also directly control, invest in, and/or use illegal gold mining for money laundering, including the Italian 'Ndrangheta,<sup>18</sup> the Mexican Sinaloa Cartel,<sup>19</sup> and Chinese and Russian organized crime groups.<sup>20</sup>

In Peru and Colombia—the two largest cocaine producers in the world—the value of illegal gold exports has in recent years surpassed the value of cocaine exports, becoming the largest illicit export from these two countries.



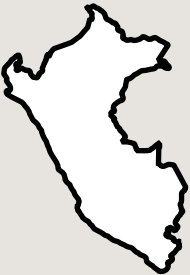
**Colombia**

Informally or illegally mined gold makes up the vast majority of Colombia’s gold production. Income from illegal mining is estimated to bring in USD 2.5 billion per year to Colombia.<sup>21</sup> By some reports, there are 3,600-6,000 mines that operate without a permit in Colombia.<sup>22</sup> Recent research has indicated that as much as 87 percent of Colombia’s gold is produced in informal or illegal mines.<sup>23</sup> Verité’s analysis of publicly available trade data (see graphic below) indicates that the United States imports far more gold than Colombia legally produces. The Global Initiative against Transnational Organized Crime reported that Colombia’s second largest gold exporting company exported over USD 1.4 billion worth of gold between 2008 and 2014, 97 percent of which was sent to two major gold refineries in the United States. A government investigation found that the company falsified information about 90 percent of its suppliers and in fact purchased a large amount of gold from the brother of the founders of Colombia’s biggest paramilitary and criminal groups (the United Self Defence Forces of Colombia-AUC and the Urabeños). The report indicates that the refineries that bought this gold supply major U.S.-based and multinational companies, including the largest supplier of gold to the U.S. Mint. Ironically, the U.S. Mint is operated by the U.S. Department of the Treasury, which is the federal agency tasked with enforcing laws prohibiting transactions with drug trafficking organizations including the Urabeños.<sup>24</sup>



**Peru**

The situation is similar in Peru, where illegal gold mining is estimated to generate USD 3 billion annually, over twice the amount of money produced by the country’s trade in illegal narcotics.<sup>25</sup> The Global Initiative’s estimates indicate that 28 percent of Peru’s gold was produced illegally in 2013.<sup>26</sup> Peruvian tax authorities have reported that half of Peru’s 120 gold export companies were being investigated for exporting illegally mined gold.<sup>27</sup> Verité research carried out in Peru found that some of Peru’s largest companies exported hundreds of millions of dollars of illegally mined gold to the U.S., Switzerland, and Italy. For example, in 2011 a company owned by the ex-Minister of Hydrocarbons of the Ministry of Energy and Mines (the entity tasked with combatting illegal gold mining) exported USD 901 million dollars of gold tied to the biggest illegal mining clan in Peru, which research found was directly linked to labor trafficking.<sup>28</sup> To put this into perspective, in 2011 one Peruvian company exported more than twice the amount exported by the country of Nicaragua (USD 364 million), during a year when gold was Nicaragua’s third largest export.<sup>29</sup>



**Estimates of High-Risk Gold, Imports to the USA (2013)**

Country	Reported gold mine production -- assumed to be legal (tons)	Exports to US (tons)	US imports of gold in excess of reported gold production (tons)	Percentage of gold imported to US in excess of reported gold production
Colombia	11.2	47.00	<b>35.8</b>	<b>76%</b>
Ecuador	2.80	9.88	<b>7.08</b>	<b>72%</b>
Bolivia	7.00	9.55	<b>2.55</b>	<b>27%</b>
Venezuela	1.69	3.12	<b>1.43</b>	<b>46%</b>
Honduras	1.90	3.24	<b>1.34</b>	<b>41%</b>

SOURCES: The Global Initiative Against Transnational Organized Crime. Organized Crime and Illegally Mined Gold in Latin America. April 2016. <http://globalinitiative.net/wp-content/uploads/2016/03/TGIA-TOC-OC-and-Illegally-Mined-Gold-in-Latin-America-Report-1718-digital.pdf>

U.S. Department of the Interior, United States Geological Survey. 2013 Minerals Yearbook: Gold. October 2015. <http://minerals.usgs.gov/minerals/pubs/commodity/gold>



Billions of dollars of illegally mined gold is purchased by the world's largest gold refining companies, which supply prominent companies and central banks.



## THE GLOBAL SUPPLY CHAIN

Gold generally passes through several layers of consolidators, intermediaries, and exporters (some of whom may actually be illegal smugglers) before it enters into the processing level of the supply chain. Once gold reaches refineries, it becomes extremely difficult to identify its origin for a number of reasons. Gold from all over the world is processed together, mixed with stronger metals to create alloys, and combined with scrap gold.<sup>30</sup> From mine to ultimate buyer, gold usually transits several countries. The ubiquity of illegally-mined gold and the lack of transparency upstream of most gold refineries means that companies buying gold from major refineries are often at risk of illegally mined gold entering their supply chains. While it is difficult to trace gold from a single illegal mine to any given company, the fact that large

***Companies buying gold from major refineries are often at risk of illegally mined gold entering their supply chains.***

refineries indiscriminately melt illegal gold and combine it with other gold means that significant percentages of the gold purchased from certain refineries likely comes from illegal mines.

Verité's research has found that literally tons of illegally mined Latin American gold are purchased and used by central banks and major international jewelry and electronics producers, which are the

main consumers of gold. A Verité analysis of Dodd-Frank Act compliance records for Fortune 500 companies found that 72 companies filed conflict mineral reports with the Securities and Exchange Commission during 2015, listing the smelters and refineries from which they obtained their gold the previous year. These companies spanned a range of industries and included major electronics and machinery manufacturers, auto makers, retailers, and providers of telecommunication and IT services. Verité found that approximately 90 percent (64 out of 72) of these companies purchased gold from refineries that have demonstrated a pattern of purchasing illegally mined gold from Latin America.<sup>31</sup> The Global Initiative report found direct links between some of the biggest exporters of illegally mined gold in both Peru and Colombia, and U.S.-based refineries that source gold to many of these companies, as well as links to the U.S. Federal Mint.<sup>32</sup>

## HUMAN TRAFFICKING AND LABOR EXPLOITATION

In Latin America, and elsewhere in the world, illegally mined gold is strongly linked to human trafficking and other labor abuses. Verité field and desk research has found evidence of widespread vulnerability to forced labor and human trafficking in illegal gold mines across Latin America, as these mines are usually located in areas with a weak presence of government authorities and

Verité research has found evidence of widespread vulnerability to forced labor and human trafficking in illegal gold mines across Latin America, as these mines are usually located in areas with a weak presence of government authorities and a strong presence of armed and criminal groups.



a strong presence of armed and criminal groups. Informal and illegal miners work directly and indirectly for armed and criminal groups.<sup>33</sup> They may work directly as employees of mines controlled by these groups, or they may have to pay a flat fee or a percentage of their earnings (known as a vaccine, or *vacuna*, in Colombia) in order to carry out mining in areas controlled by these groups. Even workers' cooperatives that supply workers to mines may be controlled by criminal groups. This makes both workers hired by illegal mines and small-scale miners extremely vulnerable to forced labor and debt bondage.

In general, organized crime, displacement, and violence are key “red flags” pointing to a high risk of human trafficking. They indicate elevated levels of lawlessness and corruption, create poverty and desperation for work, and make workers fearful of leaving their jobs before paying off their debts or completing their contracts. The mere presence of armed groups in an area can restrict workers' freedom of movement, which in turn increases reliance on employers and reduces workers' ability to seek outside help in addressing abuses at their workplaces, especially if workers are far from home. Governments also cannot carry out monitoring of labor conditions or law enforcement in violent areas.<sup>34</sup> Further, organized criminal syndicates with expertise in trafficking drugs and other illegal goods can also exploit their networks to traffic gold, as well as the people who work in mines or surrounding brothels.<sup>35</sup>

The work involved in illegal gold mining is dirty, dangerous, and difficult, making it unattractive



to all but the most desperate people.<sup>36</sup> Victims of displacement, minorities, and individuals who lack identity documents often work in mines due to a lack of alternative employment options. Moreover, the environmental damage and displacement caused by illegal mining itself produce more vulnerable people who may have no choice but to participate in illegal mining to survive.

For example, in 2014, Colombia had 5.7 million internally displaced people, more than every other country except Syria.<sup>37</sup> The rate of displacement increased an additional ten percent in 2015, with 225,842 people displaced from 961 municipalities last year alone. *Insight Crime* reported that 40 percent of these individuals were displaced from the illegal mining epicenters of Antioquia and Choco,<sup>38</sup> and that the fracturing and infighting between armed groups for control of illegal mining and drug trafficking were the main drivers of displacement.<sup>39</sup>



© Red Social

Child labor and human trafficking for forced labor and sexual exploitation are widespread in illegal mining areas.

**About 90 percent of the Fortune 500 companies that file conflict minerals disclosures report sourcing gold from refineries that have demonstrated a pattern of purchasing illegally mined gold from Latin America.**

---

Illegal gold mining both fuels displacement and feeds upon victims of displacement and other vulnerable people. Displaced people, as well as Afro-Colombians, indigenous people, and women comprise a large portion of illegal mines' workforce, as they face discrimination in the formal job market, heightening their risk of trafficking.<sup>40</sup> Interviews carried out in Colombia found that recruiters for illegal mines and the brothels that surround them attended meetings of internally displaced Colombians, offering them false jobs in order to lure them to the mining areas. Additionally, women are prohibited from carrying out underground work, making it impossible for them to legally work in mines and resulting in their migration to illegal mines. Once there, they are vulnerable to becoming victims of human trafficking for labor and sexual exploitation at the hands of armed groups.

Poverty and low levels of education may also exacerbate workers' vulnerability to human trafficking. In Peru, *indocumentados* (those without National Identity Documents) are unable to work in the formal sector without proper papers. Often poor, indigenous Peruvians who failed to secure birth certificates due to geographic isolation may find that work in the illegal mining sector, where papers are unnecessary, is their only employment option. *Indocumentados* also include suspected criminals evading jail time whose only chance to work is in mining camps beyond the reach of the law. Employers can exploit this group, which fears being reported to authorities and is thus unable to protest labor abuses.<sup>41</sup>

Verité's in-depth research in Peru found many other indicators of forced labor in illegal gold mining, all of which increase the risk of human trafficking. In the alluvial mines of the Amazon region of Madre de Dios, for example, young men were recruited to work in extremely remote areas, where they were forced to work under harrowing conditions due to their isolation and the threat of violence. In the hard-rock mines in La Rinconada, the highest city in the world, workers were recruited by members of "cooperatives" for which the workers worked for no pay for six days before they could keep what they found on the seventh day, resulting in cases in debt bondage. In the mines of the arid regions of Cusco and Arequipa, medium and large-sized illegal mines controlled by Peruvian and international criminal groups forced workers to work under the threat of violence.<sup>42</sup>

In Colombia, both men and women were found to be vulnerable to trafficking. Young men interviewed reported making up-front payments to recruiters and deductions from their earnings. They had to give about three-quarters of the gold that they found to the criminal





Teenagers often carry out the most dangerous and poorly paid work in illegal mines, and a large number of children are employed in peripheral services such as tire repair, restaurants, stores, and even brothels.

group controlling the mine. There were times when they labored for months on end and found little or no gold, forcing them to hand over collateral in order to receive high-interest loans from informal money lenders. They faced the risk of losing their collateral or even being killed for failing to pay back their loans, since the same criminals who controlled the mines were also involved in money lending and debt collection. Female workers were especially vulnerable to labor exploitation, as they collected and processed mine tailings containing miniscule amounts of gold that were discarded by men. Extracting the gold required carrying and grinding down these rocks and handling mercury with their bare hands. They were paid according to the amount of gold that they found, which many days was little or none.

Small-scale miners are vulnerable to debt bondage in Colombia and Peru. Typically, middlemen sell artisanal and small-scale miners supplies at inflated prices which miners are unable to pay back, resulting in a cycle of debt and a high risk of debt bondage. In Colombia, Verité research found that informal miners had to pay large *vacunas* to criminal and guerilla groups, making them vulnerable to becoming victims of debt bondage. Verité research carried out in Arequipa, Peru indicated that self-employed miners' vulnerability to exploitation was increased by deceptive mineral processing companies that cheated them when buying their gold and a law requiring miners to obtain the consent of mining concession owners in order to become formalized. To obtain this consent, self-employed miners had to pay off concession owners and subsequently fell into debt. Verité also found some indicators of forced labor among self-employed gold producers in Cusco who had to keep working to pay off money lenders with a percentage of the gold that they found.

Child labor – including forced child labor – is common in illegal gold mining, again because many



of the areas controlled by armed groups are dangerous, remote, and outside of the government's control. Many of the families that live in these areas are impoverished and parents receive low pay from their own mining work, forcing them to send their children to work in the mines or peripheral services.<sup>43</sup> Press reports from 2011 indicated that children as young as eight years of age were subjected to

forced labor and dangerous work in gold mines in Antioquia, Caldas, and the northern coast of Colombia.<sup>44</sup> In Ataco, Colombia, it is estimated that 450-600 children work in illegal gold mines.<sup>45</sup> Verité research carried out in Peru found that young children were generally employed



Verité interviewed multiple workers in Peru who reported that they worked 24-hour shifts with their hands immersed in mercury.

in peripheral services such as tire and motorcycle repair and stores. Teenagers were employed in many of the most dangerous jobs in illegal gold mines, such as swimming in mercury filled pools of water to suck up gold-laced sand with powerful hoses, risking drowning and being disembowelled by the powerful hoses.<sup>46</sup>

### Case Study: Teenager Exploited in Madre de Dios, Peru

When “Oscar” was 16 years old, his female cousin, who had worked in a bar in a mining camp far along the Colorado River in Madre de Dios, convinced him to take a job at the mine with stories of how he would be paid in chunks of gold. When he finally arrived after a five-day canoe trip on the river, he discovered that his cousin had “sold” him to the mine owner and that he had to work for 90 days to pay off the money that his cousin had received for recruiting him before he could go. He had no money to leave, and even if he did, the canoes that transported workers were controlled by the mine owner. He was forced to carry at least 100 wheelbarrows full of sand and rock per day. A



couple of weeks after he arrived, he contracted malaria. He was not given any medical attention and was left to die on the floor of a hut, but other workers kept him alive with their meager rations of plantain, yucca, and water. When he finally came to after 15 days, he was still weak and was told that he had to work in the kitchen if he wanted to eat.

After the three months were up, he approached the boss with his packed bag and asked for his pay, but he was told that he would not be paid and could not go, because he had only actually worked for 30 days. He then injured his foot and contracted a kind of fungus from having to work with no shoes, which he said prevented him from working and made his foot look like “a duck’s flipper.” The only person who would help him was a *nativo* (native of the jungle) who cured his foot by wrapping it in herbs. In the end, he had to work for eight months to fulfill his “90-day contract.” He was finally allowed to go and was paid with ten grams of gold, which he sold to a gold buyer in Cusco, who cheated him and only gave him PEN 300 (USD 115) for his eight months of hard labor. A couple of days later, he came down with the symptoms of yellow fever, which he had contracted in the jungle. The money he had earned didn’t come close to covering the costs of the hospital stay and he had to borrow money from his mother. He then had to go back to an illegal mine in the jungle to earn money to pay his mother back.

Illegal mining is particularly hazardous due to its unregulated nature. Workers face mine collapses and explosions, repetitive tasks, and heavy work, and exposure to extreme heat, dust, noise, tropical illnesses, and mercury and cyanide.<sup>47</sup> Workers often have no access to protective equipment or safety training, but their work typically involves the highly dangerous task of mixing powdered ore with mercury to create an amalgam that they then burn to evaporate the mercury and collect the gold.<sup>48</sup> Each year, this type of mining releases an estimated 1,000 tons of mercury into waterways and the atmosphere.<sup>49</sup> Verité interviewed multiple workers in

Because women are relegated to undesirable jobs in illegal mining they often earn little to nothing.



Peru who reported that they worked 24-hour shifts with their hands immersed in mercury.<sup>50</sup> Highly toxic, mercury exposure leads to a long list of horrific health effects, including skin lesions, permanent damage to the nervous system, inflammation of vital organs, the inability to urinate, miscarriages, birth defects, shock, and death.<sup>51</sup>

**Companies must take steps to ensure they are not responsible for perpetuating organized crime, violence, corruption, and human trafficking.**

Verité research also detected an extremely high rate of sex trafficking in illegal mining areas because they are generally lawless and remote and are populated by large populations of men who are separated from their partners. Verité field research found that sex trafficking, including of girls as young as 12, was extremely pervasive in illegal mining areas, especially in the Department of Madre de Dios, where young girls were openly working in brothels and Verité interviewed victims of sex trafficking.<sup>52</sup> In-country research carried out in Colombia indicates that illegal gold mining areas have the highest incidence of sex

trafficking, due to the control of illegal gold mining areas by criminal groups already linked to sex trafficking and the lack of a government presence in these areas. Experts interviewed in Medellín reported that sex traffickers attended meetings and obtained data from government registries in order to recruit displaced individuals desperate for a source of income, offering them fake jobs and subsequently trafficking them to brothels in illegal mining areas. A government investigator



reported that, “without a doubt, the business [of sex trafficking] is controlled by the Urabeños in the majority of mines.”<sup>53</sup>

## LEGAL AND REPUTATIONAL RISK

Companies that source illegally produced gold from Latin America face severe reputational and legal risks. Negative publicity for human rights abuses and corruption in company supply chains can have serious consequences for a company’s bottom line. In a 2014 survey of executives by Deloitte, among companies that had experienced “a negative reputation event,” 41 percent reported loss of brand value and another 41 percent experienced loss of revenue.<sup>54</sup>



Combatting illegal gold mining and the human and labor rights abuses that accompany it requires a coordinated, multi-pronged approach by the governments of gold producing countries, as well as the countries and companies that import gold.

Additionally, companies with illegally mined gold in their supply chains may face liability under a number of statutes covering company complicity in trafficking in persons, forced and child labor, organized crime, corruption, and conflict minerals, some of which stipulate steep fines for companies and even long jail sentences for their executives, including:

- The Trade Facilitation and Trade Enforcement Act (Amendment to the Tariff Act of 1930)
- The Executive Order on Strengthening Protections Against Trafficking
- The California Transparency in Supply Chains Act
- The Foreign Narcotics Kingpin Designation Act
- The Specially Designated Nationals (SDN) List
- The Foreign Corrupt Practices Act (FCPA)
- The European Union Conflict Minerals Regulations

## Solutions

Combatting illegal gold mining and the human and labor rights abuses that accompany it requires a coordinated, multi-pronged approach by the governments of gold producing countries, as well as the countries and companies that import gold. While some Latin American governments have recently stepped up efforts to prosecute individuals and companies that illegally extract and export gold, the governments of gold importing countries have thus far done relatively little to hold accountable the companies that import this gold, although they have the tools and mandate to do so. Companies must also take steps to ensure that they are not responsible for perpetuating organized crime, violence, corruption, and human trafficking by purchasing illegally mined gold from Latin America.

### Recommendations for governments in gold producing countries

1. Improve the process of formalization for ASM miners
2. Draw a clear legal distinction between criminal miners and informal miners without ties to criminal groups
3. Provide alternative livelihood opportunities
4. Strengthen the capacity of officials involved with law enforcement to combat illegal mining
5. Provide labor inspectors with the support necessary to combat labor exploitation in illegal mining
6. Strengthen efforts to prevent and address forced labor
7. Build partnerships with other countries to combat illegal mining

Companies that source illegally produced gold from Latin America face severe reputational and legal risks.



## Recommendations for governments in import countries

1. Ensure that all federal gold suppliers conduct rigorous due diligence, in compliance with OECD due diligence guidance
2. Enact legislation that requires companies to disclose whether purchasing gold in their supply chains could contribute to human and labor rights violations including forced labor.
3. Prevent illegally produced gold from entering the country by enforcing existing laws on corruption and forced labor
4. Prosecute individuals and companies that violate laws by engaging in gold laundering and importing illegally mined gold
5. Fund projects to combat human and labor rights violations including forced labor, in gold producing countries
6. Require companies engaged in mining or sourcing gold from overseas to adhere to international and domestic standards on human rights, labor rights, and environmental protection
7. Provide incentives to companies importing gold from internationally certified ethical sourcing initiatives, such as Fairtrade and Fairmined gold

## Recommendations for companies

1. Follow internationally recognized due diligence guidelines for sourcing gold
2. Use rigorous conflict minerals audit measures designed for the DRC and surrounding countries in other conflict-affected and high-risk areas outside of this region
3. Purchase traceable, conflict-free gold whenever possible
4. Support initiatives to improve countries' abilities to address illegal mining
5. Improve supply chain visibility
6. Collaborate with other companies and stakeholders to find solutions
7. Ensure that codes of conduct explicitly prohibit the sourcing of illegally mined gold and other minerals, as well as human trafficking and forced labor
8. Create a system for anonymous reporting of concerns by workers and whistleblowers

# Conclusion

This primer has highlighted the link between illegal gold mining and human trafficking in Latin America, and the connections with and implications for companies and central banks. In the coming months, Verité will be releasing an in-depth report on findings from our Colombia research, as well as a white paper providing detailed recommendations for governments, companies, and other stakeholders on how to combat labor and human rights abuses linked to illegal gold mining. While the focus here has been on Latin America region, Verité is also

currently conducting research on human trafficking risk associated with gold mining in sub-Saharan Africa. Research from Africa and other regions indicates that many of the connections and issues we have documented in Latin America are widespread in other gold mining contexts.

## Who is Verité?

Verité is an international not-for-profit training, consulting and research NGO that has been a leader in supply chain social responsibility and sustainability since 1995. For its work, Verité was the winner of the Schwab Social Entrepreneur of the Year Award in 2011 and the Skoll Award for Social Entrepreneurship in 2007.

For more information, please contact Quinn Kepes, Program Director at +1.413.253.9227 or [qkepes@verite.org](mailto:qkepes@verite.org).

## References

1. Lamar, Brook. "The Real Price of Gold." National Geographic. 2009. <http://ngm.nationalgeographic.com/2009/01/gold/larmer-text/>
2. World Gold Council. "Central Bank Gold Agreements." <http://www.gold.org/reserve-asset-management/central-bank-gold-agreements>
3. The Global Initiative against Transnational Organized Crime. Organized Crime and Illegally Mined Gold in Latin America. April 2016. <http://globalinitiative.net/wp-content/uploads/2016/03/TGIATOC-OC-and-Illegally-Mined-Gold-in-Latin-America-Report-1718-digital.pdf>
4. The Global Initiative against Transnational Organized Crime. Organized Crime and Illegally Mined Gold in Latin America. April 2016. <http://globalinitiative.net/wp-content/uploads/2016/03/TGIATOC-OC-and-Illegally-Mined-Gold-in-Latin-America-Report-1718-digital.pdf>
5. U.S. Department of the Interior, United States Geological Survey. 2013 Minerals Yearbook: Gold. October 2015. <http://minerals.usgs.gov/minerals/pubs/commodity/gold/>
6. Panagapko, Doug. Gold –2012 Annual Review. Minerals and Metals Sector, Natural Resources Canada. 2012. (Gold in ores and concentrates and other unwrought forms included only.)
7. U.S. Department of the Interior, United States Geological Survey. 2013 Minerals Yearbook: Gold. October 2015. <http://minerals.usgs.gov/minerals/pubs/commodity/gold/>
8. Mariani, Daniele. "Switzerland: The World's Gold Hub." Swissinfo.org. October 12, 2012. [http://www.swissinfo.ch/eng/precious-goods\\_switzerland--the-world-s-gold-hub/33706126](http://www.swissinfo.ch/eng/precious-goods_switzerland--the-world-s-gold-hub/33706126)
9. Mariani, Daniele. "Switzerland: The World's Gold Hub." Swissinfo.org. October 12, 2012. [http://www.swissinfo.ch/eng/precious-goods\\_switzerland--the-world-s-gold-hub/33706126](http://www.swissinfo.ch/eng/precious-goods_switzerland--the-world-s-gold-hub/33706126)
10. The Global Initiative against Transnational Organized Crime. Organized Crime and Illegally Mined Gold in Latin America. April 2016. <http://globalinitiative.net/wp-content/uploads/2016/03/TGIATOC-OC-and-Illegally->

Mined-Gold-in-Latin-America-Report-1718-digital.pdf

11. The Global Initiative against Transnational Organized Crime. Organized Crime and Illegally Mined Gold in Latin America. April 2016. <http://globalinitiative.net/wp-content/uploads/2016/03/TGIATOC-OC-and-Illegally-Mined-Gold-in-Latin-America-Report-1718-digital.pdf>
12. Kepes, Quinn." From the Field: Conflict Minerals, Expanded: The Nexus of Organized Crime, Human Trafficking, Corruption, and Conflict in Latin American Mining. Verité. January 2015. <http://www.verite.org/vision/january2015/fromthefield>
13. The Global Initiative against Transnational Organized Crime. Organized Crime and Illegally Mined Gold in Latin America. April 2016. <http://globalinitiative.net/wp-content/uploads/2016/03/TGIATOC-OC-and-Illegally-Mined-Gold-in-Latin-America-Report-1718-digital.pdf>
14. Swenson, Jennifer J, et al. Gold Mining in the Peruvian Amazon: Global Prices, Deforestation, and Mercury Imports. April 11, 2011. <http://www.plosone.org/article/info%3Adoi%2F10.1371%2Fjournal.pone.0018875#pone.0018875-Veiga1>
15. Kepes, Quinn." From the Field: Conflict Minerals, Expanded: The Nexus of Organized Crime, Human Trafficking, Corruption, and Conflict in Latin American Mining. Verité. January 2015. <http://www.verite.org/vision/january2015/fromthefield>
16. Yagoub, Mimi. "We Will Not Demobilize': First FARC Dissidents Won't Be The Last." InSight Crime. July 8, 2016. <http://www.insightcrime.org/news-analysis/we-will-not-demobilize-first-farc-dissidents-wont-be-the-last>
17. Yagoub, Mimi. "70% of Colombia Mining is Illegal: Study." InSight Crime. July 6, 2016. <http://www.insightcrime.org/news-briefs/70-of-colombia-mining-illegal-study> "¿Quiénes quedarán cuando las Farc dejen las armas?." Verdad Abierta. March 28, 2016. <http://www.verdadabierta.com/procesos-de-paz/farc/6201-quienes-quedaran-cuando-las-farc-dejen-las-armas>
18. Romero, Cesar C. "Mafioso italiano compró mina de oro en el Perú para lavar dinero sucio." La Republica. April 27, 2014. <http://larepublica.pe/27-04-2014/mafioso-italiano-compro-mina-de-oro-en-el-peru-para-lavar-dinero-sucio>
19. Kantz, Alan. "A Cartel and a Briefcase: How Drug Cash Moves on a River of Gold." Bloomberg News. May 5, 2016. <http://www.bloomberg.com/news/articles/2016-05-05/a-cartel-and-a-briefcase-how-drug-cash-moves-on-a-river-of-gold>
20. Verité. Risk Analysis of Indicators of Forced Labor and Human Trafficking in Illegal Gold Mining in Peru. 2013. <http://www.verite.org/sites/default/files/images/IndicatorsofForcedLaborinGoldMininginPeru.pdf> Wells, Miriam. "Breaking Down the Chain of Illegal Gold in Peru." InSight Crime. December 10, 2013. <http://www.insightcrime.org/news-analysis/breaking-down-the-chain-of-illegal-peruvian-gold?highlight=WyjrZXBlcyJd>
21. Bargent, James and Michael Norby. "Blood Gold: From conflict zones in Colombia to jewelry stores in the US." Al Jazeera. November 18, 2015. <http://america.aljazeera.com/articles/2015/11/18/blood-gold-colombia.html>
22. González Perafán, Leonardo. "Minería ilegal y paramilitarismo." Indepaz. [http://www.setianworks.net/indepazHome/attachments/728\\_Minera%20ilegal%20y%20narcoparas.pdf](http://www.setianworks.net/indepazHome/attachments/728_Minera%20ilegal%20y%20narcoparas.pdf)
23. Sociedad Peruana de Derecho Ambiental. La realidad de la minería ilegal en países amazónicos. June 22, 2014. [http://www.spda.org.pe/?wpfb\\_dl=414](http://www.spda.org.pe/?wpfb_dl=414)
24. The Global Initiative against Transnational Organized Crime. Organized Crime and Illegally Mined Gold in Latin America. April 2016. <http://globalinitiative.net/wp-content/uploads/2016/03/TGIATOC-OC-and-Illegally-Mined-Gold-in-Latin-America-Report-1718-digital.pdf>
25. Gagne, David. "With Election Looming, Peru's Fujimori Courts Illegal Miners." InSight Crime. June 3, 2016. <http://www.insightcrime.org/news-briefs/with-election-looming-peru-fujimori-courts-illegal-miners>
26. The Global Initiative against Transnational Organized Crime. Organized Crime and Illegally Mined Gold

- in Latin America. April 2016. <http://globalinitiative.net/wp-content/uploads/2016/03/TGIATOC-OC-and-Illegally-Mined-Gold-in-Latin-America-Report-1718-digital.pdf>
27. Castilla, Oscar. "Mitad de exportadoras de oro en la mira por minería ilegal." *El Comercio*. February 12, 2014. <http://elcomercio.pe/peru/madre-de-dios/mitad-exportadoras-oro-mira-mineria-ilegal-noticia-1708977>
  28. Verité. Risk Analysis of Indicators of Forced Labor and Human Trafficking in Illegal Gold Mining in Peru. 2013. <http://www.verite.org/sites/default/files/images/IndicatorsofForcedLaborinGoldMininginPeru.pdf>
  29. "Nicaragua prevé incrementar en 15 % producción y exportación de oro en 2012." *La Prensa*. January 30, 2012. <http://www.laprensa.com.ni/2012/01/30/economia/88955-nicaragua-preve-incrementar-en-15-produccion-y-exportacion-de-oro-en-2012>
  30. Verité. Strengthening Protections Against Trafficking in Persons in Federal and Corporate Supply Chains. January 2015. <http://www.state.gov/documents/organization/237137.pdf>
  31. Castilla, Oscar C., Nelly Luna Amancio and Fabiola Torres López. "Dirty Gold: Chasing the trace of the London Bullion Market." *Ojo Publico*. June 9, 2015. <http://ojo-publico.com/dirty-gold-chasing-the-trace-of-the-london-bullion-market/>
  32. The Global Initiative against Transnational Organized Crime. Organized Crime and Illegally Mined Gold in Latin America. April 2016. <http://globalinitiative.net/wp-content/uploads/2016/03/TGIATOC-OC-and-Illegally-Mined-Gold-in-Latin-America-Report-1718-digital.pdf>
  33. *El Tiempo*. "Minería Ilegal Desplaza a La Coca En Ocho Regiones." September 12, 2012. <http://www.eltiempo.com/archivo/documento/CMS-12214227>
  34. Verité. Strengthening Protections Against Trafficking in Persons in Federal and Corporate Supply Chains. January 2015. <http://www.state.gov/documents/organization/237137.pdf>
  35. The Global Initiative against Transnational Organized Crime. Organized Crime and Illegally Mined Gold in Latin America. April 2016. <http://globalinitiative.net/wp-content/uploads/2016/03/TGIATOC-OC-and-Illegally-Mined-Gold-in-Latin-America-Report-1718-digital.pdf>
  36. Hojen, Louise. "Colombia's 'Invisible Crisis': Internally displaced persons." COHA. February 2, 2015. <http://www.coha.org/colombias-invisible-crisis-internally-displaced-persons/>
  37. Norwegian Refugee Council and Internal Displacement Monitoring Centre. Global Overview 2014: People internally displaced by conflict and violence. May 2014. <http://www.internal-displacement.org/assets/publications/2014/201405-global-overview-2014-en.pdf>
  38. UNODC. Colombia: Explotación de oro de aluvión. June 2016. [http://www.unodc.org/documents/colombia/2016/junio/Explotacion\\_de\\_Oro\\_de\\_Aluvion.pdf](http://www.unodc.org/documents/colombia/2016/junio/Explotacion_de_Oro_de_Aluvion.pdf)
  39. Yagoub, Mimi. "Displacement Rising as Colombia's Conflict Moves into New Phase." *InSight Crime*. June 13, 2016. <http://www.insightcrime.org/news-analysis/displacement-conflict-continue-in-colombia-despite-peace-plans>
  40. *El Pais*. "Trabajo, un derecho con muchos 'peros'." January 9, 2005. <http://www.elpais.com.co/historico/ene092005/NAL/A809N1A.html>
  41. Verité. Risk Analysis of Indicators of Forced Labor and Human Trafficking in Illegal Gold Mining in Peru. 2013. <http://www.verite.org/sites/default/files/images/IndicatorsofForcedLaborinGoldMininginPeru.pdf>
  42. Verité. Risk Analysis of Indicators of Forced Labor and Human Trafficking in Illegal Gold Mining in Peru. 2013. <http://www.verite.org/sites/default/files/images/IndicatorsofForcedLaborinGoldMininginPeru.pdf>
  43. Pareja, Deicy J. "Ilegalmente Reabrieron Ocho Minas De Amagá (Antioquia)." *El Tiempo*. January 14, 2015. <http://www.eltiempo.com/colombia/medellin/reabrieron-och-minas-de-amaga/15098855>
  44. CNN. "Seis ejemplos del rostro de la esclavitud en el mundo." April 13, 2011. <http://mexico.cnn.com/mundo/2011/04/13/colombia>
  45. Hurtado, Rocio. "La Dura Historia De Los Niños Mineros De Ataco." *Hablemos De Minería*. July 15, 2013. <http://hablemosdemineria.com/2013/07/15/la-dura-historia-de-los-ninos-mineros-de-ataco/>



46. Verité. Risk Analysis of Indicators of Forced Labor and Human Trafficking in Illegal Gold Mining in Peru. 2013. <http://www.verite.org/sites/default/files/images/IndicatorsofForcedLaborinGoldMininginPeru.pdf>
47. Verité. Strengthening Protections Against Trafficking in Persons in Federal and Corporate Supply Chains. January 2015. <http://www.state.gov/documents/organization/237137.pdf>
48. Verité. Strengthening Protections Against Trafficking in Persons in Federal and Corporate Supply Chains. January 2015. <http://www.state.gov/documents/organization/237137.pdf>
49. Human Rights Watch. "A Poisonous Mix: Child Labor, Mercury, and Artisanal Gold Mining in Mali." December 6, 2011. <https://www.hrw.org/report/2011/12/06/poisonous-mix/child-labor-mercury-and-artisanal-gold-mining-mali>
50. Verité. Risk Analysis of Indicators of Forced Labor and Human Trafficking in Illegal Gold Mining in Peru. 2013. <http://www.verite.org/sites/default/files/images/IndicatorsofForcedLaborinGoldMininginPeru.pdf>
51. Human Rights Watch. "A Poisonous Mix: Child Labor, Mercury, and Artisanal Gold Mining in Mali." December 6, 2011. <https://www.hrw.org/report/2011/12/06/poisonous-mix/child-labor-mercury-and-artisanal-gold-mining-mali>
52. Verité. Risk Analysis of Indicators of Forced Labor and Human Trafficking in Illegal Gold Mining in Peru. 2013. <http://www.verite.org/sites/default/files/images/IndicatorsofForcedLaborinGoldMininginPeru.pdf>
53. Bedoya Lima, Jineth. "Campamentos de explotación de niñas en zonas mineras." El Tiempo. May 26, 2013. <http://www.eltiempo.com/archivo/documento/CMS-12824463>
54. Deloitte. 2014 Global Survey on Reputation Risk. October 2014. [http://www2.deloitte.com/content/dam/Deloitte/pl/Documents/Reports/pl\\_Reputation\\_Risk\\_survey\\_EN.pdf](http://www2.deloitte.com/content/dam/Deloitte/pl/Documents/Reports/pl_Reputation_Risk_survey_EN.pdf)