

ENVIRONMENT

Brazil's gold trade is toxic, but it doesn't have to be that way

Researchers have only been able to confirm the legal origin of around one-third of the gold mined in Brazil, with loose oversight (based on good faith) leaving the door open to abuse



Wildcat gold mining in Peixoto de Azevedo, Mato Grosso. Photo: Lalo de Almeida/Folhapress



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by Repórter Brasil linked the supply chains of [several Big Tech companies](#) back to Brazilian gold refiners that have been investigated for purchasing illegally mined gold.

A 2021 [study](#) by researchers from the Federal University of Minas Gerais was able to confirm the legal origin of just 34 percent of gold mined in Brazil.

Meanwhile, sustainability think tank Instituto Escolhas [found](#) that 229 tons of Brazilian gold sold between 2015 and 2020 — almost half of total production over that period — showed signs of being illegal.

The problem lies, in large part, with Brazil's legislation.

A system based on good faith

Gold in Brazil can be extracted either on an industrial scale by mining companies — which are also permitted to refine, sell, and export the precious metal — or by wildcat miners, supposedly working individually on a small scale.

Wildcat miners, known as *garimpeiros*, must sell their gold to a DTVM, a securities company certified by the Central Bank to trade gold.

At point of sale, the [garimpeiro](#) fills out a paper form declaring the provenance of the gold. The paper trail is not digitalized and the information provided is not crosschecked, with its veracity being



They can then simply declare that gold as having originated from areas where the activity is permitted.

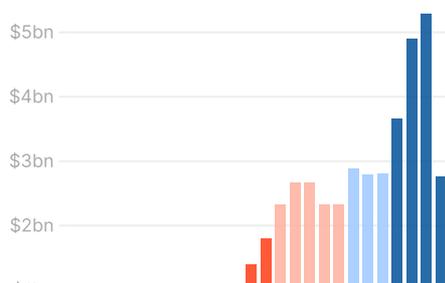
“It is unbelievable to think that an asset as expensive and as valuable as gold continues to be legally covered by [the concept of] good faith,” says Juliana Siqueira-Gay, project coordinator at the Instituto Escolhas.

The non-profit has delved into Brazil’s gold trade and found tens of thousands of cases of irregular declarations of origin, where, for example, mining titles overlap with indigenous territories or areas where no mining has taken place.

Brazilian gold exports

Gold (including gold plated with platinum), unwrought or in semi-manufactured forms, or in powder form

President: Cardoso Lula Rousseff Temer Bolsonaro



Brazilian gold exports in 2022

Year-to-date total: USD 2.7 billion



Source: Comex Stat

“The law still treats the garimpeiro as an artisan, a small-scale activity, but this is certainly not what we see in the Amazon nowadays,” Ms. Siqueira-Gay tells **The Brazilian Report**. The image of a gold prospector panning rivers is completely outdated, she says. Wildcat miners now work with expensive heavy machinery and their damaging extractive activities have come to occupy a greater area in the Brazilian Amazon than industrial mining.

This comes at a huge social and environmental cost. Illegal wildcat mining is associated with deforestation and the pollution of rivers through its extensive use of mercury, as well as [bringing violence](#) and diseases to the indigenous communities upon which it encroaches.

Solutions through technology and legislation

But the problem is not unsolvable — political will to change the law and the effective use of new technology could go a long way in



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ranging bill was presented in the Senate last year and is currently in the upper house's environment committee.)

Bill 2159/2022 notably proposes ending the reliance on the principle of good faith in the sale of gold mined by garimpeiros and replacing paper declarations with electronic invoices; the physical tagging of gold at point of extraction with silver isotopes, and the introduction of a digital system of Gold Shipment and Custody Forms (GTCM in Portuguese) to allow the effective tracking of gold shipments all the way to the final consumer.

Amongst other things, the bill also establishes that any person leading a company authorized to buy gold will be banned from owning mining titles or being otherwise involved in activities linked to the extraction and production of the precious metal, to avoid conflicts of interest.

The bill was presented by Joênia Wapichana, Brazil's only indigenous congresswoman. Part of its proposals are based on a report published by Instituto Escolhas in June, which outlines how blockchain and isotopes (which create a molecular bar code for gold) can be used to introduce a secure gold traceability system and guarantee the metal's legal provenance.

The use of a molecular marking system for gold has already been developed in Australia. Meanwhile, Brazil already has its first



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[Instituto Escolhas](#) would involve collaboration between numerous government agencies and the Central Bank on the one hand, and the private companies and individuals involved in the extraction, refining, transport, and sale of gold on the other. At least at the first point of sale, many of these companies turn a blind eye to the obscure origin of the gold they are buying.

“I think it is in the private sector’s interest to support the bill,” says Ms. Siqueira-Gay, given that the proposed law would ultimately have a positive impact on the reputation of Brazil’s mining sector.

The Brazilian Institute of Mining (IBRAM) – which represents the most important mining companies in the country – confirmed to **The Brazilian Report** that it is in favor of “regulatory improvements” to gold mining and therefore supports the bill.

The Brazilian Report brought the bill to the attention of D’Gold, one of the DTVMs that purchases the most gold in Brazil. D’Gold [has been accused](#) of buying and selling gold illegally mined on indigenous land and was cited in the Repórter Brasil investigation as an initial supplier in the chain that eventually reached the Big Tech companies.

The company told **The Brazilian Report** that Ms. Wapichana’s bill contained “interesting parameters” and rejected the reports that it trades illegal gold as “untrue.”



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