Sell the Gold, Free the Poor

By Russell Mokhiber and Robert Weissman | June 3, 2005

When historians look back over the past 25 years, one of the great crimes they will identify is the Third World debt crisis.

Now, finally, the rich countries have agreed to cancel the debts of the poorest countries to the International Monetary Fund (IMF) and World Bank. But they continue to differ over how to do it.

It is now clear a compromise agreement among the rich countries over cancellation of IMF debt can only be reached if the sale of IMF gold is a component of the financing package for debt cancellation.

But a decision to sell some of the IMF's stock of gold is being blocked by the gold industry, led by the world's largest gold-producing corporation, Newmont Mining Co. Newmont and the industry say that IMF gold sales will lower the world gold price, but they ignore a proposal from the IMF itself that would ensure IMF gold sales have no net impact on the world gold market.

"We are calling on Newmont to reverse its position," says Neil Watkins, national coordinator of Jubilee USA, the debt cancellation network. "That will enable progress toward debt cancellation, which is such a critical piece of efforts to eradicate poverty around the world."

Here's how critical debt cancellation is: Every year, sub-Saharan Africa pays about $13 billion to the IMF, World Bank, and others in wealthy countries. Poor countries in Africa spend an average of $14 per person on debt service payments to international financial institutions and only $5 per person on healthcare.

To qualify for new loans needed to pay off old ones, poor countries must submit to the policy mandates of the IMF and World Bank. These pro-corporate, market fundamentalist policies—things like unqualified privatization, orienting their economies to exports, downsizing government, eliminating labor protections, charging user fees for healthcare—have further worsened life throughout the developing world.

The situation is so dire that almost everyone agrees that debt cancellation for poor countries is imperative, and last year the rich countries in the G7 finally reached consensus on the issue. But then they embarked on a contentious dispute about how to do it. And now the dispute about how to cancel the debt may result in no cancellation whatsoever, or at least no cancellation of IMF debt.

There has been an extensive back-and-forth between the Bush administration and the Europeans on the issue. Agreement may be near on cancellation of World Bank debt. But the sides remain far apart on IMF debt.

Cancellation of IMF debt is in many ways the most strategic step. While IMF debt represents only 10% of total debt from the poor countries, about one third of these countries' debt payments go to the IMF. Canceling IMF debt would also reduce significantly the reach of the IMF—the harder-line supporter of corporate-friendly economics—into poor countries.

The available compromise position for cancellation of IMF debt is for the IMF to sell some of its gold reserves and use the proceeds to cancel debt. The UK favors this position. The hold-up is the United States. The reason for U.S. obstruction is not primarily the administration, however, but Congress. Gold sales would require congressional approval.

And the reason for congressional opposition is the Colorado-based Newmont Mining Co. Newmont and the gold industry have lobbied Congress hard on this issue. Earlier this year, the industry orchestrated a letter signed by 12 Western state senators opposing IMF gold sales.

The reason for industry opposition is the fear that IMF gold sales will depress the world price for gold. But the fear is misplaced: the way to do such gold sales, as the IMF itself has stated, is in the context of the Central Bank Gold Agreement. The European central banks annually sell a significant amount of gold, according to a schedule that the market has already taken into account. The IMF sales would be made in the context of this agreement. The central banks would simply sell less, so there would be no net increase in gold sales.

We asked Newmont spokesperson Doug Hock: Doesn't the IMF's proposal, which would preserve the gold price, address the company's concerns?

But an initial comment that it might, in theory, was quickly qualified by a statement that he hadn't seen the IMF proposal.

So we sent it to him. Subsequent calls and emails haven't been returned.

Meanwhile, the World Gold Council, an industry association, says it can't comment on the IMF proposal because it hasn't been made public. But IMF Managing Director Rodrigo de Rato has specified that IMF gold sales would be conducted in the context of the Central Bank Gold Agreement to preserve gold prices. And while the IMF's technical proposal hasn't officially been made public, it is widely available. (You can see it at: http://www.essentialaction.org/imfgold/imf03112005.pdf.)

Newmont's misguided and groundless opposition is on the brink of sabotaging IMF debt cancellation—thus ensuring millions of poor people will suffer needlessly. This is a life-and-death matter.

Time is running short for Newmont to reverse its position: A deal on debt cancellation is likely to be announced at the G8 summit in July, and if IMF debt is not part of the deal, it may fall off the radar screen for the foreseeable future.

There is hope. Since Newmont has no discernible, material interest in opposing IMF gold sales, with enough public outrage, it might be persuaded to reverse its position.

To contact Newmont, and for more information on the issue, go to: http://www.essentialaction.org/imfgold.

To send a free fax to Newmont via Global Exchange, go to: http://www.globalexchange.org/campaigns/wbimf/goldindustryaction.html.

Russell Mokhiber is editor of the Washington, DC-based Corporate Crime Reporter, <http://www.corporatecrimereporter.com>. Robert Weissman is editor of the Washington, DC-based Multinational Monitor, <http://www.multinationalmonitor.org>, and director of Essential Action, a corporate accountability group supporting debt cancellation. Mokhiber and Weissman are co-authors of On the Rampage: Corporate Predators and the Destruction of Democracy *(Monroe, Maine: Common Courage Press). They wrote this commentary for Foreign Policy In Focus (online at www.fpif.org).*

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Writer: Russell Mokhiber and Robert Weissman
Editors: Emira Woods, IPS
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