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MATT KENNARD



THE  
RACKET



A ROGUE REPORTER VS THE  
MASTERS OF THE UNIVERSE



## MORE PRAISE FOR THE RACKET

“This firecracker of a book, written by a former insider journalist who realised the true, exploitative agenda of corporate media, unleashes a gonzo journey across the world of US empire. From Palestine to Bolivia and America to South Africa, reporter Matt Kennard provides a roadmap of deformed economics, state violence and inspiring resistance. Read this book, be startled and then take action.”

**Antony Loewenstein, *Guardian* columnist  
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“Matt Kennard reveals the ruthless criminal dynamics of global imperialism. His analysis is richly researched, keenly illustrative, and consistently on target. May this book get the wide readership it deserves.”

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“*The Racket* is tough, angry, relentlessly researched and riveting, in the grand Chomskyan tradition but with the added value of the journalist’s mobility and on-the-spot coverage. Kennard’s range is wide, both geographically and topically, but with a single target – the depredations of the US superpower’s corporate and political elites on their own home turf and abroad that the lap-dog media rarely touch.”

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We need Kennard and other writers like him.”

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**Gavin MacFadyen, director of the  
Centre for Investigative Journalism**

“Matt Kennard exposes the failure of US neoliberalism and a major reason why China’s star is rising while US foreign policy is imploding into a black hole.”

**John Perkins, author of *Confessions of an Economic Hitman***

# THE RACKET

A ROGUE REPORTER VS  
THE MASTERS OF THE UNIVERSE

MATT KENNARD



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*For Ana,  
who wrote this with me*

*And Chelsea Manning,  
for helping us see the truth*



I spent 33 years and four months in active military service and during that period I spent most of my time as a high-class muscle man for Big Business, for Wall Street and the bankers. In short, I was a racketeer, a gangster for capitalism. I helped make Mexico and especially Tampico safe for American oil interests in 1914. I helped make Haiti and Cuba a decent place for the National City Bank boys to collect revenues in. I helped in the raping of half a dozen Central American republics for the benefit of Wall Street. I helped purify Nicaragua for the International Banking House of Brown Brothers in 1902–1912. I brought light to the Dominican Republic for the American sugar interests in 1916. I helped make Honduras right for the American fruit companies in 1903. In China in 1927 I helped see to it that Standard Oil went on its way unmolested. Looking back on it, I might have given Al Capone a few hints. The best he could do was to operate his racket in three districts. I operated on three continents.

*Major General Smedley Butler, who died the most decorated US Marine in American history, in a speech given in 1933*

**racket** / *n. slang* A trick, an underhand scheme; now usu. a scheme for obtaining money etc., by fraudulent or violent means; a form of organized crime. *gen.* An activity, a way of life, a business.

*Oxford English Dictionary*





# CONTENTS

*Acknowledgments* . . . . . xi

Introduction . . . . . I

## PART 1: HOW WE OWNED YOU

1. Creating a Modern-day Slave State . . . . . 13

2. The Racket . . . . . 41

3. Rigging the System . . . . . 61

4. Cursing Your Riches . . . . . 79

## PART 2: ENFORCEMENT

5. The Mob . . . . . 97

6. With Friends Like These . . . . . 109

7. Might is Right . . . . . 141

8. A Drug War Colony . . . . . 157

9. War on Hope . . . . . 178

## PART 3: REINFORCEMENT

10. The First Peoples of America and Their Land . . . . .	243
11. Working America . . . . .	260
12. Destitute America . . . . .	284
13. Lock-up America . . . . .	300

## PART 4: WE'RE LOSING YOU

14. Turf War . . . . .	311
15. Freedom Fighters . . . . .	322
16. Revolutionaries . . . . .	334
17. Successful Defiance . . . . .	347
18. Culture as a Weapon of Resistance . . . . .	357
<i>Index</i> . . . . .	377

# ACKNOWLEDGMENTS

This book has been a decade in the making and involved travel to all corners of the globe. The overwhelming feeling I came away with is that our world – judged by how it treats its human family – is in dire straits. But wherever I've gone I've been filled with hope by seeing the brave and courageous individuals and groups resisting the violence and misery inflicted by the US-led military and economic machine. From Palestine to Honduras, from South Africa to Haiti, I'd like to thank all the people who have filled me with faith against the odds, often in the face of great danger. They have been resolute in the face of an ideological system that endlessly tells them their pain is for their own benefit. Thank you for resisting the power and the lies.

I am a fellow at the Centre for Investigative Journalism, which is a dream place to work. The CIJ is an institution dedicated to furthering adversarial and revelatory journalism in a media setting that increasingly ignores it. In particular its director, Gavin MacFadyen, has been an inspiration for his passion and courage in supporting whistleblowers and journalists working in difficult environments. He is the model of what a journalist should be. Also at the CIJ I've been lucky enough to work closely with a great investigative journalist, Claire Provost. The

## THE RACKET

Bertha Foundation's support, meanwhile, has allowed me to pursue controversial stories and concentrate on doing the journalism I love. Kika Sroka-Miller at Zed Books was brilliant in helping me form the ideas and structure of the book, so a big thank you to her. Also at Zed, Jonathan Maunder and Dan Och made countless invaluable and insightful suggestions to get the book in shape. Janet Law gave the text a rigorous and stringent copy-edit. As has probably been the case for millions of people around the world, Noam Chomsky has been the most influential person in my intellectual and political development. Since I was a student journalist in the middle of my political awakening he has responded consistently and over many years to my enquiries with patience and unfailing insight. Thanks for everything, Professor.

The book is dedicated to Ana, my soulmate and fellow rebel. So much of the reporting in this book has been done with her or because of her. Without her inspiration, help on the ground, and companionship and love, this book would have been impossible. It was in discussion with her that many of the ideas in this book formed. The book is also dedicated to Chelsea Manning, our generation's hero. At great personal cost she singlehandedly changed the course of history and gave us a historic glance at the true mechanics of power as wielded by the most powerful country in the world. History will judge her kindly, but she continues to suffer now. That should stop immediately. Her fellow whistleblowers Edward Snowden, Jesselyn Radack, Thomas Drake, William Binney, John Kiriakou, among many others, have also inspired me by their bravery and example.

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## ACKNOWLEDGMENTS

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Although this book would have been impossible without the people listed above, none is responsible for what's written in the following pages.



# INTRODUCTION

I started working as a reporter at the *Financial Times* soon after the financial crisis began and at the height of the so-called “War on Terror”. I was a young, ambitious reporter assigned to one of the world’s most respected broadsheets, ready to speak the truth. I learnt soon enough that this was not the place to do it. Maybe I should have guessed. In the aftermath of the 9/11 terrorist attacks in New York City and Washington, I had had a partial awakening. As the war drums sounded in 2003, I learnt that the United States and the United Kingdom, despite now pushing for a war with him, had, in the 1980s, been supporting Saddam Hussein. The man we were presenting as the devil incarnate had only years earlier been our buddy. Soon after, I saw that my government thought nothing of rewriting intelligence to trick its own citizens into a totally illegal war. I thought, maybe naively, that working at the *FT* would allow me to continue learning, and in some senses I was right, though not the lessons they intended. There I was exposed to the other side of this war-industry coin – the world of high finance. These wars were not the vanity project of deluded leaders; they were merely the latest stage in a global elite’s prolonged war on the people of our world with the sole aim of pumping up their bottom line. I saw the real rulers



## THE RACKET

of the world up close now – they were not the politicians but the big-money men behind them, the puppeteers who made everything move. I was stationed at their house organ, so raising the alarm did not, to put it politely, go well.

Over the following years, I witnessed first-hand how powerful the propaganda system that covers for these racketeers really is. It is almost impossible to go up against it as an individual on the inside (I tried). I was based at the *FT* in Washington, DC and New York, but I also traveled extensively during this period, reporting from four continents, more than a dozen countries and the same number of cities within the US itself. Everything I saw contradicted what I had been told about how the world works. But as I wrestled with what I was doing, I knew in the back of my mind that, as a journalist, speaking out against this contradiction is a bad idea: doing so will instantly, and adversely, affect your career, which I suppose is why so few do it. If you speak out against the racketeers, well, you are instantly anti-American, you hate freedom, you love terrorists and so on. Ideological “training” of this kind is at its most potent in the racket-supporting media of the western world where I once worked (and it usually works to dispel independent thinking). I was actually taught this eyes-wide-shut philosophy first when I went to do a Masters at Columbia University’s Journalism School in New York, apparently the best of its kind in the world, but in thrall to the racket and its lies, like the rest of the American elite. And the attempt to beat these critical thoughts out of my head continued as I progressed further up the hierarchy of the ideological system. On the day I left the *Financial Times*, for example, my boss told me simply: “Go away and do your ‘save the world’ stuff and maybe you can come back when you’re a bit older.” I took his advice, but I won’t be back. Instead I present, eyes open still, the report they wouldn’t send to press.

## THE RACKETEERS

The United States emerged from World War II in a position of peerless global power. Western Europe and the Soviet Union were in ruins after six years of devastating warfare, and the imperial structures that had previously ruled most of the world were falling apart. The Americans meanwhile had made a miraculous recovery from the economic depression that had consumed the nation since the Wall Street Crash of 1929 and its place as No. 1 had been planned for *quite consciously* throughout the war. When it was realized in 1945, attention switched to extending the American elite's customer base, and so, at the close of World War II, the racket was set in place.

The Harvard evolutionary psychologist Steven Pinker once told me that power itself perverts human notions of morality and justice: “Dominance, fairness, and communality are three very different modes of thinking about social relationships. Someone in power will tend not to think of his relations to his or other peons in terms of fairness,” he said. The American elite, its powerful big business players and allied governments (regardless of political party) are motivated by dominance, not fairness. The people in power know this – it is the population that is lied to. Of course, the need to pierce the propaganda bubble is not new. Every emperor, fat cat and superpower from time immemorial has willingly entertained myths about their actions so as to utilize the good-will of their people to pursue their own criminal enterprises. The historian Cornelius Tacitus said it best at the height of Roman dominion. “The Romans create a desert,” he wrote, “and call it peace.” These myths that Americans are treated to from a young age – and this ideological training reaches out beyond US borders – still present the US as an impressive discontinuity in the world of power politics. Unlike all previous superpowers, the United States is a “moral” power, driven

## THE RACKET

by principles and values, as opposed to domination and greed. America is “exceptional” we are told – not exceptionally violent, which is the truth, but exceptional to the extent that it has a “higher calling”; it is a “shining city upon a hill”. A brief foray into the world with eyes open teaches you quickly that this is the opposite of the truth. But keeping your eyes open will always be harder than seeking solace in your own divine moral superiority and the turpitude of your enemies. And so the myth takes hold. Repeat after me: when the US does it, Terror is *Peace-seeking*; Domination is *Partnership*; Fear is *Stability*. It’s easy.

## THE BELIEVERS

A couple of years after my initiation at the *Financial Times* a few things started to become clearer. I came to realize a difference between myself and the rest of the people staffing the racket – the United States Agency for International Development (USAID) workers, the economists in the International Monetary Fund (IMF), and so on. While I was coming to understand how the racket really worked, I started to see them as willing dupes. There was no doubt they seemed to believe in the virtue of the mission; they imbibed all the theories that were meant to dress up global exploitation in the language of “development” and “progress”. I saw this with American ambassadors in Bolivia and Haiti, and with countless other functionaries I interviewed. They genuinely believe the myths, and of course are paid handsomely to do so. To help these agents of the racket get up in the morning there also exists, throughout the West, a well-stocked army of intellectuals whose sole purpose is to make theft and brutality acceptable to the general population of the US and its racketeering allies. And this system of indoctrination is so ingrained in the media and university system that it is near impossible to even divine it. I remember writing an article for the *Financial Times* about former

## INTRODUCTION

Egyptian dictator Hosni Mubarak, who was backed by over a billion dollars of US aid; the editors got rid of the factual prefix “US-backed” before Mubarak’s name without even thinking. When I submitted another article using the prefix “Iranian-backed” for the Lebanese militia Hezbollah, it sailed through. That is how thought control operates and that is how the racket survives with its moral sheen intact.

Power has completely corrupted the minds of these people. When Rafael Correa, president of Ecuador, was closing down Manta, the US military base in his country, he told the Americans that they could keep it as long as they allowed Ecuador to put a military base in Miami. This was preposterous to Washington and its lackeys in the media – for them it is apparently a *natural law* that the US should be allowed the hundreds of military bases that disfigure sovereign states all around the world. That is the imperial mindset and it infects the entire American elite.

What will become clear as you read this book is that the patterns and modus operandi of the racket are repeated all over the world, over and over again. So, for example, the manner in which I saw American “aid agencies” and the National Endowment for Democracy (NED) subvert groups organizing independently in Bolivia is repeated in Ecuador, Venezuela, Brazil, all over Latin America, and in the rest of the world. The names of the individuals involved in each case are different but the dynamic is similar; the racket’s method of control, so clever and hidden, is the same, and the names of the oppressors are interchangeable with any of the racketeers of the “American era”. All have served the institutions that work to undermine individual or group sovereignty and increase the racketeers’ control, whether the individuals staffing the racket be nice or horrible, good or bad, well-meaning or psychopathic – the institutions they serve continue to extinguish the yearning for independence of people the world over.

## THE RACKET

There is another, more insidious, part of this global control that will be discussed in the following pages as well. In addition to the dominance of the US elite, the succor given to American corporations by the racket has made the proliferation of US “culture” inevitable, creating a new dimension of so-called soft power. But, as you will see later, the racketeers are genuinely afraid of the creative arts. There exists the potential within our culture, and the arts, not just to expose the racket for what it is, but to help dismantle it. For this reason the racketeers continue to co-opt the arts and culture as much as possible: the CIA was supporting US arts throughout the Cold War, and no doubt continues to do so.

## FOR YOUR OWN GOOD

The racket is bigger than the US elite, of course, and by now you may be thinking that it may have something to do with the capitalist system writ large. Yes, institutions like the World Bank represent a broad global capitalist class, but the US is the overwhelming power within these arrangements and the US military is the enforcer of capitalistic forces throughout our world. The mechanics of the racket have actually been pretty constant; the institutional structure erected to maintain a pretense of altruism while practicing savage domination has been replicated across the world for quite some time now. I witnessed not long ago, for example, US support for the military coup in Honduras in 2009, which threw out a democratically elected president so the racketeers could prop up the business community and their political puppets. But like I said before, you can be sure that a similar dynamic was in place when the US helped take out democratically elected presidents Jacobo Arbenz of Guatemala in 1954 and Salvador Allende of Chile in 1973, unleashing decades of hell on the people of those countries. The needs

## INTRODUCTION

of this rapacious racket remain the needs of every dominant imperial class, communist or capitalist – more markets for their products, and complete subjugation of popular forces in their satellites.

But there is a twist to this story.

The American elite that has grown fat from looting abroad is also fighting a war at home. From the 1970s onwards, the same white-collar mobsters have been winning a war against the people of the US, in the form of a massive, underhand con. They have slowly but surely managed to sell off much of what the American people used to own under the guise of various fraudulent ideologies such as the “free market”. This is the “American way”, a giant swindle, a grand hustle. In this sense, the victims of the racket are not just in Port-au-Prince and Baghdad; they are also in Chicago and New York City. The same people that devise the myths about what we do abroad have also built up a similar ideological system that legitimizes theft at home; theft from the poorest, by the richest. The poor and working people of Harlem have more in common with the poor and working people of Haiti than they do with their elites, but this *has to be obscured* for the racket to work. Many actions taken by the US government, in fact, habitually harm the poorest and most destitute of its citizens. The North American Free Trade Agreement (NAFTA) is a good example. It came into force in January 1994 and was a fantastic opportunity for US business interests, because markets were opened up for an investment and export bonanza. Simultaneously, thousands of US workers lost their jobs to workers in Mexico where their wages could be beaten down by even poorer people. The inevitable conclusion is that our entire world is at the mercy of an elite business community who run it in secret.

The economic imperatives of this racket trump even the *safety* of working Americans. During the Iraq conflict in 2003, large parts of the Pentagon and the British “intelligence” community did not want to

## THE RACKET

attack Iraq because they believed it would increase the threat of terrorism. But the ideological zeal within the racket to maintain a grip over a region with immense oil production was a higher priority than decreasing the threat to American lives. The racket, then, is a disaster for those poor countries submissive to it, but also for the majority of Americans. The American elite is not in the business of helping out its fellow citizens.

Perhaps for you the extent of US domination is unknown, or perhaps you half suspect it, in which case the pages that follow will provide indisputable evidence. For those readers who feel they already know the damage done by US foreign policy, the revelation will come from evidence of the damage done at home where the war against poor and ordinary working Americans is just as fierce. A vast ideological edifice has been built which presents brutal violence against the poor at home and abroad as altruism. It must be targeted at its foundations. As Harold Pinter wrote in his Nobel Prize-winning speech in 2005, when it comes to the US “it never happened. Nothing ever happened. Even while it was happening it wasn’t happening. It didn’t matter. It was of no interest.” He continued: “The crimes of the United States have been systematic, constant, vicious, remorseless, but very few people have actually talked about them. You have to hand it to America. It has exercised a quite clinical manipulation of power worldwide while masquerading as a force for universal good. It’s a brilliant, even witty, highly successful act of hypnosis.”

The media would have you believe that there is no racket, that it’s purely an accident that we live in a world where 85 people, *85 people*, own half the world’s wealth while more children die of starvation every year than died in the Holocaust.<sup>1</sup> Of course it’s not an accident, a mere

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<sup>1</sup> *Working for the Few: Political Capture and Economic Inequality*, Oxfam Briefing Paper 178, January 20, 2014. More than 1.5 million children across Europe were killed by the Nazi regime. It is estimated that 3.1 million children each year die because of poor nutrition.

## INTRODUCTION

quirk of history – it is the result of a huge injustice, the policies of a giant mob. To help our species and planet survive it is necessary to shake off the hypnosis and see the racket for what it is.

They know who they are; it's time to blow their cover.





**PART ONE**

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**HOW WE  
OWNED YOU**



# ONE

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# CREATING A MODERN-DAY SLAVE STATE

## PORT-AU-PRINCE, HAITI

I was standing open-mouthed outside the presidential palace in Port-au-Prince 18 months after the earthquake had devastated the city when a man approached selling his paintings. “What do you think of that?” he said, pointing to the collapsed palace behind us. I told him the truth: I was finding it hard to come to terms with the completeness of the destruction. The man, who later told me his name was Charles Renodin, smiled slightly. “Tell the world how we are living,” he requested. “Let them know.” He paused and added, “I live in the camp there,” pointing across the road, where opposite the crumbling presidential palace a vast expanse of tents – emblazoned with the logos of the US, China, Bill Gates, Carlos Slim, all competing shamelessly for brand recognition – spread out as far as the eye could see. “After the earthquake I lost my mum, my dad, one daughter, so I had to move to this camp. I don’t like it, it’s full of corruption, it’s run by gangs, and the little girls have to sell

## THE RACKET

their bodies to eat,” he told me. “Little girls,” he added for emphasis. “Maybe eight or nine years old, getting raped every day. The police don’t do anything about it, the country has no law.” He told me that the Haitian people refer to the palace behind us, which should be a point of pride, as the “Devil’s House”. “It’s full of so much corruption, they don’t care about the people, they just want to make money, when the money comes they take it for themselves.” He was waiting on a house now so he could leave the camp, but he didn’t think it would happen any time soon: “The government has no plan.” In the camps, it was particularly bad news for women: “Because there is no work, women have to sell their bodies just to eat, the only job they have is to have sex for money. Men have to steal stuff – they have no choice.”

Like most in Haiti, Charles had an ambiguous feeling toward the thousands of non-governmental organizations (NGOs) working in his country. “Some come to help, some come to make money, they like us living like this because they make more money.” It is easy to dismiss such sentiments, but the global “rescue” industry really is big business. There is often a direct and positive correlation between American influence over smaller countries and the crises they experience. “After the earthquake they would give us food, water, but now everything has stopped. If you go inside this camp you don’t see water, people have to walk six miles to get water. That’s why crime is up.” He became more agitated. “Everything is crazy right now, we’re living just like animals. There is no everyday life, nobody has a job.” Haiti has arguably had more US intervention in the last hundred years than any other country in the world – that it ended like this is not wholly accidental. As Doctor Maigot poignantly says to Mrs Smith, an American, in Graham Greene’s *The Comedians*: “In the Western hemisphere, in Haiti and elsewhere, we live under the shadow of your great and prosperous country. Much patience and courage is needed to keep one’s head.”

The following day, I was driving down a long, dusty and typically bumpy road in the middle of Port-au-Prince when I came across some imposing metal gates. Behind them stood the E-Power electricity plant. The site was unlike the rest of the city, which lay in complete ruin, even a year and a half after the earthquake: it had burnished sheet-steel doors and perfectly tarmacked roads. I was on assignment with the *Financial Times* and being escorted in a 4x4 by the World Bank, which had its own particular kind of tour that seemed to ignore the massive tent cities whizzing past our windows. Here was the *optimistic* vision, they told me. In a capital city where electricity blackouts were a nightly occurrence, E-Power was the kind of company the international financial institutions (IFIs) running Haiti believed would lead “reform” – by taking power away from the state-run company, and running the business for profit. My World Bank guide was adamant that this was the way out of Haiti’s tragic past and present. I soon found out the company was founded in 2004 by a group of Haitian venture capitalists excited by the departure of social democratic President Jean-Bertrand Aristide. The aim, they said, was to “offer a solution to power generation in Haiti”. Sure enough, some years later, in 2006, the new US-backed President René Préval launched an open bid for a contract to provide electricity to Port-au-Prince. Seven companies took part. E-Power won.

For many in the Haitian business elite, such economic liberalization was to be the model for the new Haiti being built after the devastating 2010 earthquake. “The earthquake created trauma that could have been better exploited,” Pierre-Marie Boisson, board director at E-Power, told me as we sat in the upmarket air-conditioned offices at the plant. “Because of the political process that took place after that, it took too much time.” He added: “Earthquakes should be an opportunity because it destroyed. Where it is destroyed, we have to build. When we

have to build we can create jobs, we can create a lot of changes, we can change a country.”

However, Mr Boisson’s cynicism about the slow rate of “exploitation” of the “opportunities” provided by the earthquake was not quite accurate. In the aftermath of the earthquake, the opportunity afforded by the destruction wreaked on Haiti was capitalized on immediately. As the dust was still settling in Port-au-Prince, the World Bank, the IMF and their regional analogues, alongside various US agencies – what became the *de facto* government in the absence of a Haitian alternative – carved up the society’s different sectors and doled them out among themselves. The Inter-American Development Bank (IADB) got education and water, the World Bank bagged energy, while the United States Agency for International Development (USAID) – a body that will be examined later in this book – gratefully accepted the planned new industrial parks. Alexandre Abrantes, the World Bank’s special envoy to Haiti, told me how it worked: “We basically have agreed that where each of us has the competitive advantage, we then divide ... the sectors among ourselves, and add in some sectors which go together.”

The mass privatization of state-run assets and the turning of Haiti into a Caribbean sweatshop – via an export-led garment production and cheap labor model that the US and the IFIs had been pushing from the mid-1990s through the 2000s – were now distinct possibilities. This could be enforced with minimal push back from a decimated civil society and a denuded government. All the extra-Haitian bodies, particularly the US government, shared this vision. “There is a lot of agreement, so I would say one of the unusual and very positive aspects about this project is that it is really done in partnership,” Jean-Louis Warnholz, a State Department official working on Haiti, told me when I was back in New York. (Mr Warnholz asked not to be named, but Haitians deserve to know the officials who are designing their destruction.) Haiti

was to be the next Top Model on the World Bank and IMF catwalk. The “partnership” (in which the Haitian people had no part) believed that rebuilding the capabilities of the Haitian state should play no role in its reconstruction. Instead, the solution to Haiti’s problems lay in the creation of a flourishing private sector. “What’s really going to change Haiti and make this process different from all the previous ones is the development of the private sector, and I think there’s a consensus in that,” José Agustín Aguerre, the Haiti manager for the IADB, told me. The bank disbursed \$177 million in grant money in 2010 – more than any other multilateral source – to push this agenda.<sup>1</sup> “Private sector is the big difference, it’s what will be creating wealth, creating jobs, not the public sector,” he added. It seemed there was no alternative.

After the election of President Michel Martelly in May 2011, things remained easy for this private-sector-led “consensus”: the IFIs and US not only had their Shock Event, but also their Shock President. Aristide, who was president in 1991, 1993–94, 1994–96 and 2001–04, continues to be the most popular politician in Haiti, but is banned from standing again for the presidency. In Martelly, the US government had found its “Chicago Boy”, a more-than-willing partner for their economic program (“Chicago Boys” is a term which refers to the University of Chicago economists who helped dictators impose neoliberal capitalism in its early stages). All the major business groupings and IFIs I spoke to in Port-au-Prince were effusive in their support for the president. Carl-Auguste Boisson, general manager at E-Power, told me: “I am pleased by what I heard Martelly saying about the importance of private investment, especially when he was campaigning he was talking about things like providing private provision of public services.” Kenneth Merten, the then US ambassador to Haiti, was similarly excited about the new president’s

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<sup>1</sup> Details given to the author by the World Bank.



privatization agenda. “A few privatizations of flourmills, but aside from that you haven’t had much of anything in past decades,” he told me. “That’s the element that’s been lacking here, you need a government that understand investment and I think Martelly and his folks do.” For the US, a pliable figure like Martelly had been a long time coming. Despite many decades of effort, Haiti had not completely succumbed to the plans that its major patron had for it. And such recalcitrance had been causing increasing consternation in Washington.

## HISTORY’S LONG SHADOW

In 1990, after the first democratic elections in Haiti’s 200-year history, the US became hopeful of breaking up the corrupt state institutions which had been run as the personal fiefdoms of Papa and Baby Doc, the US-backed Duvalier dictators who had ruled Haiti viciously for nearly 40 years. Private capital would then be able to penetrate deeper into the country, and an economic model conducive to the interests of the rich countries could take firm root. But it wasn’t going to plan. Instead of the US-orientated “reformer” many in Washington had hoped for, a huge mass movement, named Lavalas (“the flood”), propelled the social democrat priest Jean-Bertrand Aristide to a landslide victory. Over the next 20 years, the democratically elected Aristide would be ousted twice with US support, while the democratic hopes and dreams of Haiti’s people would be quashed time and again. Aristide had become a nuisance in the eyes of Washington and so when he was put back in power in 2001 it was under the tacit agreement that he would allow the World Bank, the IMF and the US to institute their plan. It had been 11 years since the democratic elections, and still economic “reform” was slow. Something had to change: democracy was fine, but it had to be of use.

In this period, René Préval, a former ally of Aristide who served as president from 2006 to 2011, seemed to offer some hope for the Americans. “In the context of the developing world, we would most accurately describe him as a neo-liberal, particularly in that he has embraced free markets and foreign investment,” notes one of the US embassy’s diplomatic cables, released by WikiLeaks, sent from Port-au-Prince in 2007. But the leader the US was really after in that period looked more like Haitian-American businessman Dumas Siméus. A resident of Texas, he assured the US embassy, according to a diplomatic cable sent in 2005, “he would manage Haiti like a business”. The same cable added: “Displaying abundant charm and energy, the 65-year-old said he had decided to run for President not only for Haiti’s benefit, but also as a gesture of thanks to the United States.” He was very clear about how he would do this: “The University of Chicago alum pledged to bring the ‘Chicago Boys’ to Haiti and establish a road map for change, promising investors would return.” It was exactly what the US embassy wanted to hear; Siméus was the candidate they had been searching for. The cable concluded by noting that the millionaire Texan was a “potentially viable candidate” who could, unlike Aristide, “govern responsibly and maybe effectively” – code in this case for “in the US interest”. The US deemed Martelly similarly “responsible”.

But in many ways, US exasperation at the apparent reluctance of Haiti’s leaders to sell off their country’s assets and create an economic playground for foreign capital remains hard to understand. From the mid-1990s through the 2000s, the “Chicago Boys” had to all intents and purposes come to Haiti; the process of opening up Haiti’s economy to the predations of foreign capital was well under way. The fetish of foreign investment was firmly rooted. In 1996 for example, the Haitian government had already, as one diplomatic cable published by WikiLeaks noted, “established legislation on the modernization of

## THE RACKET

public enterprises, which allows foreign investors to participate in the management and/or ownership of state-owned enterprises.” Moreover, a November 2002 law explicitly acknowledged the “crucial role of foreign investment in assuring economic growth and aims to facilitate, liberalize, and stimulate private investment in Haiti”. The law gave foreign investors exactly the same rights and protections as Haitians. Months earlier in 2002, the Haitian parliament had voted for a new free trade zone law which provided “zones” with fiscal and customs incentives for foreign enterprises – for example, a 15-year tax exemption. In other words, post-Aristide, the government had “seen the light” and embraced the US-led vision for the post-dictatorship Haiti.

But these steps, it seems, were not enough. Only a “Chicago Boy” would do. Another WikiLeaks cable noted that in 1996 a “modernization commission” was set up to decide whether management contracts, long-term leases or capitalization was the best option for each of the companies to be privatized. The commission would also decide how much the Haitian government would retain of each asset, with a cap at 49 percent – a minority stake, stripping the Haitian people of control over their own industries.

This had an immediate effect. In 1998, two US companies, Seaboard and Continental Grain, purchased 70 percent of the state-owned flourmill. Despite this “progress”, a diplomatic cable from 2005 lamented, “Some investments, however, still require government authorization,” adding, “Investments in electricity, water and telecommunications require both government concession and approval. Additionally, investments in the public health sector must first receive authorization from the Ministry of Public Health and Population.” It sounded like a reasonable demand from a sovereign country, but a sovereign country is exactly what the US didn’t want Haiti to be. Two years after Aristide had been spirited out of the country by the Bush

administration and the local oligarchs, and just before the victory of the “neoliberal” Préval in 2006, the US embassy noted witheringly: “Since the privatization of the cement factory, privatization has stalled and appears to have been put on hold.” It added plaintively: “None of the major infrastructure-related enterprises (the airport, seaport, telephone company or electric company) have been privatized.” The document continued: “Although these entities were supposed to have been privatized by 2002, persistent political crises, strong opposition from the former administration, and a general lack of political will have delayed the process indefinitely.” The cable then noted a more plausible reason why this massive privatization program had not been enacted quite as smoothly as the US had hoped: “Some opposition to the privatization of state enterprises continues from groups such as employee’s unions who have expressed opposition to workforce reductions that privatization might entail.” Those pesky Haitians.

By 2008, then, the US embassy was disconsolate at the slow rate of progress and local intransigence. “Despite assurances that privatization is still a priority for the government ... we are increasingly skeptical that privatization, in whatever form, will happen,” one WikiLeaks cable noted. “Time is running out.” The US, however, remained steadfast. “We will continue to advocate strongly on behalf of privatization and/or private management,” one cable noted. It further advocated using IFIs such as the World Bank and the IMF to bribe the democratic government of Haiti, one of the staples of the “structural adjustment programs” explored later, although it is rare to see it spelled out in such clear language. “[The US embassy] repeats its recommendation ... that privatization be a requirement under future agreements with the IFIs ... to be negotiated with the new government,” the cable to Washington noted.

## THE SHOCK

Bribery might prove an effective strategy toward the poorest country in the western hemisphere, but it would still be messy. There was after all a Haitian parliament, populated with nationalist elements, which could continue to stall or even kill the massive privatization program the US favored. But as the US was honing its strategy for its latest push, on January 12, 2010 a huge earthquake hit Port-au-Prince and surrounding areas, creating one of the worst humanitarian crises in the history of the world. More than 300,000 people were killed, while millions became homeless. The capital city lay in ruins, including the majority of government ministries as well as the presidential palace. What was left of an already strangled civil society and social institutions was destroyed. Haiti was a blank slate.

The US and its allies in the IMF and World Bank did not waste any time – this was their opportunity to push through the radical neoliberal program from the 1990s with little resistance. The opposition to this privatization program – which had ranged from quasi-nationalist politicians to worker-based collectives – had all but disappeared. Without a government in place to agree or disagree with the US and the IFIs, which were soon running the country, Haiti was ready for the “shock doctrine” – the radical economic prescriptions enforced throughout the world and outlined in Naomi Klein’s eponymous book. Klein’s argument was that these policies were so unpopular among the populations of the target countries that the agents of big capital, such as the IMF and World Bank, would wait until there was a crisis “real or perceived”, when people could not organize resistance, to push the reforms through. This is what happened in Haiti.

The first step was to entrench a decision-making system that took all power out of the hands of accountable democratic institutions run

by Haitians. The Interim Haiti Recovery Commission (IHRC), which became the country's most powerful decision-making body in the aftermath of the earthquake, was the perfect example of this move. The IHRC was set up ostensibly to coordinate the response and spend donor money in the absence of a Haitian government. It had 26 members, 12 of whom were Haitian, leaving them without a voting majority (just as they were not allowed a majority stake in their industries). To those Haitian members, it was obvious they were window-dressing. In a December 2010 letter of protest to the IHRC chair, former US president Bill Clinton, they complained of being "completely disconnected from the activities of the IHRC", as well as having "time neither to read, nor analyze, nor understand – and much less respond intelligently – to projects submitted". According to one journalist based in Port-au-Prince: "These twelve board members surmised that their only function is to rubber-stamp, as Haitian-approved, decisions already made by the executive committee."

That was exactly the perception that the US and the IFIs were trying to avoid. When officials from the US and international agencies in Haiti were interviewed they were at pains to explain how they were "working for the Haitians" and the phrase of the day was "Haitian-led". It was the same all over the world – the US and its agencies were adept at making their domination be seen as *demanded by the victim*. In truth, there was, and continued to be, minimal Haitian involvement in the reconstruction (outside the business elite). An article in the *Washington Post* put it bluntly in January 2011: "There is a dramatic power imbalance between the international community – under US leadership – and Haiti. The former monopolizes economic and political power and calls all the shots." The financial benefits to the American private sector of this set-up were immediately obvious. An *Associated Press* investigation found that of every \$100 of Haiti reconstruction contracts awarded by

## THE RACKET

the American government, \$98.40 returned to American companies.<sup>2</sup> The focus was never on building up indigenous capacity; any work was to be outsourced to foreign companies or NGOs by the IHRC. It was about making money for rich Americans. After Michel Martelly was sworn in as president in May 2011, it took months for the former pop star and former member of the savage Tonton Macoute militia (formed by the US-backed dictator ‘Papa Doc’ Duvalier) to form a government, as his candidates for cabinet positions were repeatedly rejected by parliament. By the time his administration was in place in June 2011, 18 months after the earthquake, the coordinates of the economic reconstruction were already in place. Martelly’s hands were tied by the very IFIs which claimed to be subordinate to the Haitians. Though in Martelly’s case his hands didn’t even need to be tied – he was a willing “shock president”.

There were three elements that the US and IFIs wanted to build the “new Haiti” around: high-end tourism; export-processing zones; and a resurgent private sector in control of the previously state-owned assets. It was the racket’s standard playbook. The architects of the reconstruction actually had other countries in mind that they believed could serve as a model. One was the Dominican Republic, the country next door to Haiti, which had long been an oasis for private capital in the Caribbean. In Haiti, using the model of its Hispaniola neighbor, the IADB planned to spend \$22 million on a high-end tourism resort near the 19th-century citadel at Labadee, a port on Haiti’s northern coast. Mr Almeida, Haiti manager for the IADB, told me the bank’s money would “provide the means for the private sector to come and invest”, adding that “in [the Dominican Republic] everything they have is all private. The airport is private, the

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2 Isabeau Doucet, “One year on, Haiti hasn’t ‘built back better’”, *The Nation*, January 12, 2011.

roads are private, even the internal roads. So we could do the same thing [in Haiti].” (In the initial carve-up of Haitian society, the IADB was given road infrastructure.)

The other opportunity that had to be taken advantage of was speeding up the privatization process. The World Bank used the example of Teleco, formerly the national telecom operator, which in 2009 the bank’s private-sector arm, the International Finance Corporation (IFC), had helped partially privatize. (The IFC was, incidentally, the brainchild of Nelson Rockefeller in 1951.) Mr Naim, the private-sector Haiti manager for the World Bank, told me that Teleco was an example of what the government should do to the ports and the airport. “[They can] really transform these assets that generally the government handles poorly,” he said, adding that “It’s better for the government to focus on social things” and let these assets be privatized. Teleco itself is now due for complete privatization under the guidance of the IFC. For the poorest country in the western hemisphere, it is hard – possibly even suicidal – to argue with the World Bank. In March 2010, the bank promised \$479 million in grants; the IFC put \$49 million-worth of direct investment into Haiti’s private sector.

With Teleco on its way to privatization, the IADB had its own plans for the national water and sanitation authority (Dinepa), which had come under its domain in the initial carve-up. The bank soon handed over the authority’s management duties to the giant Spanish company Aguas de Barcelona, which won a three-year contract to train and assist workers, and for which they received millions of dollars. “Many local companies are taking control of small towns’ water systems,” Mr Aguerre of the IADB told me excitedly. This essential commodity and basic human right was now being turned into a for-profit venture. “We are seeing good examples of places where no one paid for water services, and little by little they are paying,” he added. Experts from



## THE RACKET

Aguas de Barcelona became the leaders of discussions concerning the investment needed in Haiti's water system and the process of opening bids to different contractors for the completion of new pipelines and other systemic improvements.

In education, the IADB's plans were no different. Thanks to decades of neoliberal policies that prioritized the private sector above the Haitian ministries, even before the earthquake 80 percent of educational services were delivered outside the state (primarily by international bodies or the private sector). As a result, only half of school-aged children in Haiti went to school. For the IADB, this did not prove the folly of their enterprise. Contrariwise, they concluded that it meant they had not gone far enough. "It's too ambitious to think you can turn it around," Mr Aguerre said. The IADB settled on a voucher program that will allow the government to retain some "quality control", but means that education will be completely privately run. To ensure full access, the plan creates a publicly funded but privately run education system. The small print is that this public subsidy will cost the Haitian government about \$700 million a year, seven times what it spends now on education. With no new revenue streams evident (in fact, as we shall see, the government's tax base was being all but destroyed), the obvious implication was that full access was not an aim (or even a hope). When the IADB's promised \$500 million over three years runs dry, more than half of Haiti's children will still be locked out of the school system. The IADB rationalized this arrangement by arguing that the private sector would pick up the slack – explicitly holding Haiti's kids ransom to Hollywood film stars. "There are many private actors willing to put money in," added Mr Aguerre. "Half of Hollywood is interested. Everyone wants their Susan Sarandon School of Arts." Incidentally, Martelly has been approving of both vouchers and subsidizing private schools as methods to rebuild the Haitian education system.

With the complete privatization of telecoms, water and education, the final piece in the jigsaw for the IFIs and the US became the new “industrial parks” or “integrated economic zones”. These, so the propaganda went, would ensure the economic growth that could put Haiti and its people back on their feet. But two years after the quake, more than 500,000 Haitians still lived in ad hoc camps around Port-au-Prince and 8 million still lived without electricity. The throngs of jobless who lined the capital’s streets are a reminder of the 70 percent unemployment rate. “We need to be realistic and understand that it’s still five years after Katrina and New Orleans is still being rebuilt, it’s 10 years after September 11th and that site isn’t rebuilt complete, the process takes time,” Kenneth Merten, then US ambassador to Haiti, told me, adding, “One of the things Haitians can really do themselves is to move quickly on making a business-friendly climate.”

It might perhaps be hard for the hundreds of thousands of Haitians living in ad hoc campsites to do that. In Haiti, I went to the La Piste camp, a barren enclosure with rows of one-bedroom “houses” on steeples. The owner of one, a middle-aged woman, spoke to me slowly via an interpreter. She was a single mother with three children with no means of income. She was living off money the Red Cross had given her, alongside selling some trinkets, although customers are few and far between. “It’s much better here than the last camp,” she told me. In the last place she and her children lived, like most others, in a tent, which meant they were subject to the rain and animals who decided to look in. “This is a house, it’s safer,” she said, but added that the fence of the camp should be higher, or be turned into a security fence because of the burglaries. She also said the lack of lighting puts them in danger: it is pitch black at night and easy for people to break in. You realize walking around La Piste that these people are completely at the mercy of nature – be that the elements, or their fellow man or woman. There

## THE RACKET

is no security, there is no rule of law, and there is no place to go with grievances; there is merely the hope that someone is looking out for you. Hope cannot thrive in such an environment. “I would like to have hope,” she told me, her face blank, refusing any emotion at all. “I just don’t know who is going to make anything happen.” It seemed rude to ask how she planned to make a business-friendly climate for foreign investors in Haiti.

## THERAPY

The 30-minute drive to Codevi industrial park from the airport in Cap-Haïtien, northern Haiti, is the smoothest in the country. In a place famed for its poor infrastructure, particularly its undulating roads, the park and the surrounding area are something of an oasis. Beyond the small bridge and metal gates which divide Codevi from the town outside, there’s everything that the average Haitian doesn’t have: paved roads, a functioning health service, employment and even a (small) trade union – the only one in the country. The 2 million square foot Codevi Park was originally built by a Dominican textile company, Grupo M, on the Dominican side of the border, but operations were expanded to Haiti in 2003 (with the help of a large investment by the World Bank).

“It was created as a vision of expansion that Grupo M had to look for as the Dominican Republic became more complicated competitiveness-wise,” Joseph Blumberg, vice-president of sales for the company, told me as we sat in his air-conditioned office inside the park. “Haiti offered us the competitive edge that we needed in this region to maintain ourselves with the US market.” He added: “It had a labor cost which was the lowest in the region.” The minimum wage in Haiti now is 150 gourdes (\$3.70) per day, which is nearly half that in the

Dominican Republic. This “competitive edge” – in a layperson’s terms “slave wages” – combined with favorable trading terms with the US had caught the eye of the IFIs in the aftermath of the earthquake. The aim was to rebuild Haiti as a Caribbean sweatshop that could enjoy the full fruits of the Haitian Hemispheric Opportunity for Partnership Encouragement (HOPE) Act, which was passed by the US Congress in 2006, granting tariff-free access for Haitian textile exporters to the US market. This was followed by increasingly favorable terms through HOPE II, in 2008, and the Help Act after the 2010 earthquake.

Parks like that at Codevi are known in the IFIs’ literature as integrated economic zones (IEZs): places where infrastructure, welfare services and other services are provided for the lucky few behind imposing metal gates. The literature justifying their existence argues that prospective foreign investors put off by the decrepit or non-existent roads, electricity-grid and water system throughout Haiti would here have access to a ready-made mini-city. There was already a huge industrial park of this kind near the airport in Port-au-Prince called Sonapi, which is fully owned by the Haitian government and had, at one point, nearly 40 companies based there. But the new IEZs would be under the sole control of its initial investors – mainly USAID and the IADB. This raises the question of what will happen outside these so-called “poles” of economic activity. What would the incentive be for the central government to develop infrastructure and social services throughout the country if they are being built on this micro-scale? And where would the money come from? Alexandre Abrantes, the World Bank’s special envoy to Haiti, admits this is a problem; he told me that industrial parks “may not be sustainable if you were to do it as a policy everywhere”.

Codevi is essentially an “export-processing zone” (increasingly common in the “developing” world) where exports pay no tax to the

## THE RACKET

central government and there is no customs duty on imported materials. “You’re in an extra-territorial concept so that your goods come in and out very quickly without much paperwork,” said Armando Heilbron, a senior private-sector development specialist at the World Bank working on the IEZs in Haiti. Therefore, Haiti’s reconstruction will take place in isolated small “poles”, primarily in the northern part of the country, while the rest of the country’s infrastructure and welfare services will fall further into disrepair.

Perhaps the biggest problem with the industrial parks is the unscrupulous nature of the companies that populate them. The public relations tour of Codevi, with its stops at the local doctor and training facilities, is a relief after experiencing the destruction that has been wrought in the rest of the country. But the tour does not include many of the most important episodes in its establishment. Codevi was originally built on farmers’ land against their will – a process that destroyed the region’s agricultural infrastructure to create sweatshops. It was a parable for the economic reconstruction that occurred after the earthquake. The diplomatic cables recount that there had been a “long-standing labor dispute between Dominican manufacturer Grupo M and workers in Ouanaminthe”, a community in north-east Haiti. One said: “According to Yannick Etienne, a labor representative, the fight has its origins in the closed-door negotiations that established the Free Trade Zone (FTZ). The farmers were left out of the negotiating process until the day of the FTZ ground breaking ceremony in 2002, when they were told their land was being expropriated. Grupo M eventually published a social compensation plan in 2003, however, it came too late for the farmers whose land was already gone, and whose suspicions of the Dominicans were already aroused.”

Grupo M and its patrons at the World Bank do not, of course, tire of outlining the countless benefits that accrue to the local population

because of Codevi. Every program of exploitation has an ideology bolted on to legitimate it to the world – but also to those benefitting: very few people want to look in the mirror and see a monster staring back. When I asked to speak to workers, two were dutifully brought out to give monosyllabic positive comments about their jobs, perhaps wary of the manager sitting next to them. Neither was a member of the union, I soon found out. In fact, Grupo M claims it has no conception of how many workers are in the union. “Very little,” is all Mr Blumberg would tell me. “It’s not part of their priority. They’re happy and when the workforce is happy they don’t mind if anybody is doing anything for them or not.” However, according to the diplomatic cables released by WikiLeaks, the soothing words of Mr Blumberg do not reveal the whole story. “Dominican unions allege [Grupo M] discriminates against labor organizers, fires their members, and has created a fraudulent ‘scab union’ in order to circumvent the legitimate one,” one cable notes.

It is clear that something similar has happened in Haiti. Grupo M did have a stronger union once – before it was busted after trying to exercise its rights. Just months after Codevi opened, the workers began complaining of “exploitation and mistreatment” by the management of Grupo M. Rounds of strikes and violence by union members were followed by a “series of employee terminations by the company throughout that summer”.

Mr Blumberg explained it thus: “When we had the first union, there was a lot of growing pain. They didn’t have the right groups guiding them, there were a lot of radicals, a lot of leftists.” But, he added: “In the end, everything was straightened out and we’re in peace and we’re fine with the union.” The union had been co-opted. Workers’ rights would not be a high priority for the economic model that would design the new Haiti. In fact, the plan was predicated on the lack of

## THE RACKET

rights for workers. In an internal IFC document that was presented to the Haitian government, the administration was implored to amend the labor code in order to “lift restrictions on 24/7 multi-labor shifts” while “streamlining” the process by which night-time salary supplements could be done away with. The plan was also predicated on a lack of tax revenue. Another incentive for the foreign companies was the so-called “economic free zones” (EFZs), which offer companies tax and duty-free rights if they set up operations in Haiti. In reality, these zones do not exist in physical space but rather constitute the whole country. In other words, Haiti would now be tax-free for foreign investors – further disabling the Haitian government’s ability to rebuild any public institutions. In 2011, the Haitian government brought in an estimated \$1 billion of revenue, much less than the per-capita rate in sub-Saharan Africa.

The answer to this dilemma for the IADB was the “multiplier effect” whereby companies supplying services to the population would in turn have more income and therefore pay more tax to the government (at some time in the distant future). “It’s on that side that we see the benefits of anchoring in the zones and having these companies come, even if under the current regime they do not pay taxes for a while,” said Mr Almeida, IADB country director for Haiti. The idea essentially is that around the industrial estates other smaller Haitian businesses, such as travel agents and grocery stores, will pick up the slack of lost tax revenue. The problem for the IFIs was that even with slave wages and lax labor regulation it was proving hard to attract foreign investment. In the face of such reticence from investors around the world, Haiti should have focused on building indigenous capacity, perhaps through a massive public works initiative and the construction of state-owned facilities, like Sonapi. Haitians were instead again put at the mercy of international capital and its “race to the bottom”. For the US embassy,

the only thing going for Haiti was that its people were made to work for peanuts. “Haiti has the lowest wages in the western hemisphere,” boasted one US embassy cable. To Haitians it was nothing to *boast* about. Camille Chalmers, a local economist, told the *Financial Times* that the wages paid in the textile sector, Haiti’s biggest industry, were a “veritable scandal”.

Amid manifold reservations from both international investors and labor-rights groups, the IADB and USAID finished the construction of the flagship project in the economic reconstruction of Haiti: the Caracol industrial park (CIP), just 40 miles down the well-paved road back toward the northern capital of Cap-Haïtien. The CIP was inspired by the perceived success of Codevi, with those designing Haiti’s new-look economy trying to attract investment with the benefits that drew Grupo M into the economy: cheap labor and geographical closeness to the US, the world’s largest market, where its exports are duty-free. It is one of five planned. The US poured millions of dollars into the CIP, but only Sae-A Trading, a South Korean textile company, has been enticed to set up shop in the park (and according to people involved in the deal, Sae-A was promised a rent holiday of four years). Sweatshop-based development had, in fact, never provided more than 100,000 jobs even in the 1980s.

The fact that the US taxpayer is building industrial parks for the benefit of South Korean companies also raised eyebrows. The US may be the most active foreign country involved in the reconstruction, but even its companies are still keeping their distance. “We are professional beggars,” Mr Aguerre, the Haiti manager for the IADB in Washington, told me. The Haitian people would become beggars, too. For example, an internal IFC document on proposed IEZs argues that the reconstruction should be “propelled by private-sector-led development” even though the same document admits that “the existing Haitian Free



Zone, Industrial Park and Investment Code policy and regulatory regimes have not been effective in attracting investments that are needed to create jobs”.

“To say that the private sector is rushing into Haiti right now would not be exactly what’s happening,” Pamela Cox, the World Bank’s vice-president for Latin America and the Caribbean, told me when I met her in Washington. So why were these institutions focusing so much on a foreign-investment-led reconstruction, rather than building up domestic and public Haitian capacity? Was the fact that this would not make any westerners rich merely a coincidence?

There are still further complications; namely, that offering generous inducements to foreign companies will adversely impact businesses already in Haiti. Grupo M, for example, is fearful of what the incentives offered for the CIP and other IEZs being planned might mean for it. “[New foreign companies] have to train their workforces, they have to prepare themselves for what is coming,” said Mr Blumberg, vice-president of sales at Grupo M. “We want a level playing field if you will. We understand that [foreign companies] are getting a lot of things via grants and via sponsorships from different sources.” But if investment is not forthcoming or indigenous industries are stifled, as many predict, Haiti will suffer stagnation and destitution for another generation.

Enthusiasm from donors for aid and other forms of sovereign investment is now dwindling as the international community loses interest and the financial crisis continues to bite. The Haiti Reconstruction Fund (HRF), which aggregates funds from countries and NGOs to fill gaps in investment, has raised \$352 million so far, but, “We’ve reached a plateau,” Mr Leitman, head of the HRF, told me. “I think the donors have been cautious and reluctant to contribute new money.” In March 2010, at a major pledging conference held in

New York City, \$4.6 billion was promised for the first two years of reconstruction. Only \$1.9 billion of that ever materialized. “If you look at estimates made about rebuilding Haiti after the earthquake, they were huge, you know \$15 billion, even more than that,” Mark Weisbrot, co-director of the Center for Economic and Policy Research (CEPR) in Washington, DC, told me. “They haven’t come up with anything like that, even a fraction of that. It’s a small country but it’s still 10 million people and so if you don’t clear the rubble, you don’t have roads, you don’t have housing, you don’t have water, you don’t have sanitation, what kind of economy are you going to get out of that? That’s the real problem.”

The real fear back home in Washington, however, especially among politicians, is migration and drugs. “They feared Aristide was a Castro want-to-be,” Larry Birns, an analyst in Washington, told me. “US policy has never been concerned with building a viable economy. The policies they followed destroyed Haiti’s economy.” On assuming power, Ronald Reagan proposed the Caribbean Basin Initiative to try, in a familiar story, to bring foreign investment to the region. It was a method of regaining control of the region, which seemed to be going on an independent path. Reagan even invaded Grenada on spurious grounds in 1983 to push that effort. The initiative was a failure, bringing little to no investment, but control was exerted. In that respect it was like John F. Kennedy’s Alliance for Progress in Latin America, which sought to bring the region away from Soviet influence, under the guise of “development” and “investment”. The prevailing spirit now in Washington is that Haiti is messy, and people will openly tell you (off the record) that Haiti is beyond the capacity to be reformed, a “loser situation”. They favor what they call “keeping it on life support” so that the US doesn’t get too many people coming in (Haitian refugees dying on the beaches of Florida caused havoc

for Southern politicians in the 1980s). But what the US never seems to understand about Haiti and elsewhere is that you cannot have a society operate like clockwork when you have for years persistently undermined all credible efforts for that society to function in an effective way. Haiti is now actually well below its per capita income of 1960, the only country in the hemisphere to have made no progress in that period. Ironically, the economy grew from 1960 to 1980 under the Duvalier dictatorships because, despite their brutality, they actually had a development strategy. It wasn't great but it did move the country forward. This is true for a lot of the region where many countries had more growth under dictatorships because they had more control over policy than they did in a more democratic era when, in the subsequent neoliberal phase, the World Bank and the IMF controlled policy, and nobody *allowed* them to have a development strategy. From 1991 to 1994 and from 2000 to 2004, in fact, there was a deliberate strategy to destroy the economy, and that's how they got rid of President Aristide both times. "This is more about power. It's hard for people to believe this, but the US really does care who runs the government," said Mr Weisbrot. "They've overthrown the government twice, the US, Canada, France, and their allies. 1991 was more covert but it did come out that the CIA paid the people who did the coup, and they also financed death squads in the period after."

The story of one Haitian I met while in the country, Robinson Deese, shows the human side of this brutality. "After the earthquake everything turned terrible," he told me, as we sat in his bedroom. He lost his home and moved with his four children and wife to Golf, one of the biggest camps in Port-au-Prince on the capital's only golf course. But he was given a lifeline. The Red Cross – one of the most influential and powerful NGOs working in Haiti – offered him a rent subsidy to move his family into permanent accommodation. The

charity gave him 4,000 Haitian dollars toward the yearly rent of 6,000 Haitian dollars. (Prices have ballooned since the earthquake because of the squeeze on supply.) Now he lives in one small and sweltering room with six other people, including his wife, children and brother. Formerly a tailor, his working life was destroyed when he lost all his sewing machines in the earthquake. “We have to manage with this because we have no means to rent a bigger place right now, I have to work for other people now,” he said. “I preferred to take the subsidy because I didn’t have a piece of land where I could build a shelter. I decided the best option would be to start a small business for myself while I tried to save money, maybe get a piece of land.” He was also awarded a us\$500 Livelihood Grant to start a business, which he said was not going well so far. In these conditions, saving is hard for a family like this, as he has to stump up money for tuition for his kids’ schooling as well as for books and uniforms. The Red Cross has helped countless people this way – it is one of three options they offer to some of the 500,000 Haitians still living in tent cities around Port-au-Prince. The other two are building a T-shelter on a greenfield site, or finding someone who will let them do it. But the program is a parable of the short-termism that has overtaken the reconstruction of Haiti. Mr Deese only qualifies for this subsidy for a year. After that, he and his family are back at square one unless he finds a job, which with 80 percent unemployment seems unlikely. “I can’t say I will have enough to cover next year’s rent,” he admitted. “It doesn’t stress me out right now, I know that I can work, I have two hands to work with.”

## NO ROOM FOR AN ALTERNATIVE

Haiti is a notoriously difficult country to operate in: its institutions are frail, weakened by years of underinvestment, and the system is riven

with corruption. For the economic managers post-earthquake, this was the default reasoning for their reliance on the private sector and “export-led” reconstruction. But there was nothing inevitable about such a program. There were plenty of reconstruction plans that could, most likely would, have created a fairer and more sustainable future for Haitians. The problem was and remains that these plans go against an ideology purveyed by the IMF, the World Bank and the US. For example, the Haitian government could have rebuilt the country’s crumbling infrastructure with a modern-day equivalent of the Marshall Plan from donors, which would have created public-sector jobs for Haitians to construct roads, ports and energy infrastructure which has either been non-existent or in disrepair. Everyone, after all, puts infrastructure as among the top problems for making Haiti work. Some 10,000 jobs could have been created just clearing the rubble. The Red Cross has, for example, created hundreds of jobs for Haitians reusing the rubble to build bricks and other building materials, clearing the city and creating employment. “We’re the only ones doing it,” the co-coordinator of the program in Port-au-Prince told me. “At the moment, now, all the rest goes down the dump, even though the cost of processing it is about the same as taking it down to the dump.”

Perhaps most importantly, Haiti could have focused on creating a new agrarian economy, a sector which had been thriving before President Clinton dumped tonnes of US rice in the country in the 1990s, destroying Haitian agriculture by completely distorting trading terms, something that will be explored in a moment. About 40 percent of the Haitian population, or 4 million people, live in rural areas. Promoting community-owned agricultural land would have instantly depopulated the overcrowded capital and provided a sustainable way of feeding its people (with any leftovers ready for export). It was never even discussed.

“Agriculture is still missing,” Mr Naim at the IFC told me. The IFC is yet to make one loan to an agricultural small or medium-sized enterprise (SME), instead training its focus on agribusiness rather than the smallholders that Haiti needs. Likewise, the World Bank has admitted that not enough priority is being given to agriculture. It has put \$55 million into a new agricultural program (in the grand scale of things in Haiti, peanuts). “This is our first true agricultural project,” Mr Abrantes acknowledged. The US government claims it is not ignoring agriculture. The ambassador to Haiti told me the US has invested \$200 million in the sector already; but, once again, the focus remains on produce for export as opposed to providing for the Haitian population, large portions of which are starving. The IADB, on the other hand, contends that infrastructure is important but “there are other needs” (such as “investing in the private sector” in order to import seeds). The bank has a plan to get a private company to buy the mangoes, centralize them, distribute them and then send them to the exporters. “We’re changing the dynamics of how we can do agriculture in Haiti,” said Mr Almeida at the IADB. This new dynamic is straight out of the neoliberal guidebook: providing vouchers to small producers so they can buy seeds through imports. With no public or community-held land, such ventures have to date not got very far. “It’s not a big number of jobs,” Mr Almeida admitted.

The internal Haitian market continues to be ignored by all parties, a travesty considering that 90 percent of eggs and poultry consumed in Haiti come from the Dominican Republic, while 80 percent of rice is imported. Changing that state of affairs through publicly funded subsistence farming is not an option. “When I say agriculture I say agribusiness,” said Mr Almeida. The alternative, which is unthinkable in the world of these institutions, is that money is provided to subsidize domestic small-scale rice production.

## THE RACKET

An emblematic project of this “new dynamic” was brokered by the IADB: an initiative with Coca-Cola which has created a new soda called “Mango-Tango” that will be supplied with mangoes from newly developed producers. A similar deal with Starbucks coffee seeks to transform individual micro-farmers into cooperatives and then supply coffee to Starbucks and market it as Haitian coffee. Critical analysts call this the “sweatshops and mangoes” development model. “They need roads, they need irrigation in the countryside, but that’s the one thing these guys won’t do,” said Mark Weisbrot, the analyst at the CEPR. But the Martelly administration’s agriculture policy has so far followed the export-orientated agribusiness model of the Bretton Woods institutions to the letter. “What I hear from [the Haitian government] is that they want to go into the export mode, including the agriculture,” said Mr Abrantes. In fact, Martelly had pushed the IFIs to go even further. “We were preparing traditional agriculture projects for Haiti which were basically focused on poverty alleviation, on the small farmers,” added Mr Abrantes. “When the Martelly administration came in, they looked at the project and said, ‘We would like it to have a different slant. We would like to have significant components on stimulating agribusiness’, which is quite a different thing from what we had anticipated, and so I think the overall view is, even in agriculture, to encourage parts of the agricultural sector to move into export-production.” Haiti remains a majority agrarian country; it needs an agrarian-based development model that distributes land among its homeless people for community-based subsistence cultivation. The economic managers of the country are not interested. The long-held dream of a Caribbean sweatshop is being born instead. Out of one of history’s worst human catastrophes we have Mango-Tango. The racket’s victory was Haiti’s defeat, but this was no accident.

# TWO

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# THE RACKET

## A VERY BRIEF EXPLANATION OF WHAT REALLY HAPPENED AFTER WORLD WAR II

In a world based on the exchange of goods and services, the most effective way of controlling people – or nations – is to put them in your debt. This the US government understood clearly, and so at the end of the World War II American planners set about designing an international monetary system that would put the rest of humanity under the crack of their whip. But doing such a thing, while maintaining the customary public posture of spreading democracy and economic justice, would be no easy task. The US managed it mainly through the construction of a series of global institutions that would, from then on, decide how the world's poorest managed their economies. The ideology driving these institutions would be a US-backed form of capitalism that brooked no dissent from its precepts. The official, old world empires (whose decline picked up pace after 1945) were to be replaced by something more insidious, more hidden, something that to this day is still not recognized for what is: *debt slavery*. Debt would be used to strangle and crush any peoples that tried to free themselves from the shackles of the order being imposed.



## THE RACKET

The first of the new enforcers was the International Monetary Fund (IMF), which billed itself as the savior of countries in dire need of money to shore up unraveling economies. It would soon become a star player, one of the real big boys. Alongside it another body would be used to promote the racket's interests across the world: initially called the International Bank for Reconstruction and Development (IBRD), it would later become known as the World Bank. These institutions, which still oversee the world economy in the interests of the fattest of cats, were created in inauspicious surroundings: a hotel next to a railway station called Bretton Woods in New Hampshire. The stories and propaganda regarding the genesis of these institutions are almost completely false, but continue to be told to the present day. The World Bank, in *official* history, was meant to “facilitate private sector investment and reconstruction in Europe”. Alongside that crucial calling, with Europe in ruins after the war, it was meant to deal more generally with “development” – a term that refers to the economic progress of countries that have been kept underdeveloped by the policies of the same people overseeing their “development”. This second role would later become its chief purpose, as the World Bank became one of the main avenues through which poor countries would be lent money.

Two men dominated the process of designing the new global order. Harry Dexter White, a US diplomat, was there to make sure everything was set down with US interests in mind. He was up against a more honest and respected economist from Britain, John Maynard Keynes, whose ideas did not win out – the resulting arrangements prioritized American interests. White, after all, had considerable leverage, thanks to the United States' economic supremacy at the time. He followed the course laid down by Franklin D. Roosevelt's Secretary of State Cordell Hull, who said early in the World War II: “Leadership toward a new system of international affairs in trade and other economic affairs will

devolve very largely upon the United States because of our great economic strength. We should assume this leadership, and the responsibility that goes with it, primarily for reasons of pure self-interest.”<sup>1</sup> And so it was. This self-interest is obvious when the Keynes’ proposal is compared with that of White. It shows clearly that US interests were the priority all along, preventing any equitable solution. Essentially, the US saw the IMF and World Bank as tools in its goal to create new markets in which American exports could be sold and developed, further enhancing its already growing economy and helping to secure its position as the global superpower. But Keynes believed that trade relations between countries could not be changed without both the creditor and the debtor country making a commitment to their alteration. The powerful and the powerless in this sense both had responsibilities. Keynes had, for this reason, proposed an International Clearing Union (ICU) with its own independent currency called “the bancor”. The bancor would be a universal unit of accounting that countries across the globe could use that would track trade deficits and surpluses. An “objective” unit would ensure that equal pressure fell on both the creditor and the debtor to balance their trade. But such a body would constrain the powerful creditor nations like the US, which were using their loans and export capacity as a method of control. For this reason, the ICU never happened; White opposed it. Instead, he wanted an International Stabilization Fund and the IBRD. The purpose of the Stabilization Fund would be to reduce foreign exchange controls, maintain steady exchange rates and lend money to nations in deficit. The bank would provide the capital that was desperately needed by faltering countries to rebuild after the war. And this was the formulation that was eventually agreed upon. It completely took the burden off the creditor nations

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1 Quoted in Murray N. Rothbard (2000) *A History of Money and Banking in the United States: The Colonial Era to World War II*, Ludwig von Mises Institute, p. 480.

## THE RACKET

(like the US) in terms of balance of trade. Put simply, there was now no restriction on the amount of surplus a successful exporting nation could enjoy. As a country borrowed more and more, interest rates just rose and rose. This formula was perfect for accelerating the racket's dominance. Foreign countries became markets for American goods and started to rely, heavily, on US capital. As the levels of debt grew, so did the racket's ideological and economic stranglehold.

Despite constant US propaganda to the contrary, such self-interest, or naked imperialism, was the main motivation – to sculpt a world in its image, to create a global population working for elite US interests, while at the same time thinking they were working for their own.

This is not ancient history – the same is happening today. I remember asking historian Walter LaFeber, one of the most esteemed voices on US foreign policy, about this, and he was more honest than most: “No government has ever proposed a plan unless it believed there was something in it for that government,” he told me, adding that the “post-World War II economic system was developed, not created, by the US officials to help their nation's economic clout and survival.” His contention is, in fact, a common one: that the Bretton Woods institutions, as the IMF and World Bank soon became known, had originally had an “idealistic thread”. From there, the story goes, these same institutions were perverted by the US, as its power to maintain control over other countries diminished with decolonization, to re-establish its power – or what the planners and elite journalists like to call “stability”.

In 1945, of course, the system was conceived with the developing world's subservience pretty much guaranteed. But as various nations and peoples around the world gained independence, they had to be reintegrated into the racket so that it would remain as profitable as its predecessor. No problem. Since its original formulation, the Bretton Woods system has been an elaborate system of control. The Bretton

## THE RACKET

Woods institutions are heavily biased in their voting capacities: votes are proportional to your contribution to the funds, and because the US contributes the most as the world's largest economy it has *de facto* control. For example, if the US did not want to lend to the Sandinista government in Nicaragua, which overthrew a US-backed tyrant in 1979, then the Bretton Woods institutions would follow their lead. Functioning without this credit line is extremely difficult. Alongside this, the dollar gives the US more power because it is the global “reserve currency”, which means that it is the most popular foreign exchange currency held by governments across the world. The interest rates set by the Federal Reserve in Washington, DC thus give the US significant power to manipulate the global economy. Some countries even surrender their economic sovereignty to the US completely by adopting the greenback as their currency. For example, El Salvador, a poor country in Central America that was the victim of a vicious civil war sustained by the US from 1980 to 1992, adopted the dollar in 2001, giving up its control over monetary policy *in toto*. Needless to say, the “right guys” won that war and the rewards for the US inevitably followed.

For LaFeber, the “real question is whether the Bretton Woods arrangements have helped solve problems for all the involved parties, and done so equitably”. Initially, they may have, depending on your measuring stick. Economists and governments measure economic growth as the increase in economic activity within a country by the metric Gross Domestic Product (GDP). It is a futile metric because it tells you nothing about how that wealth is being distributed within a given country or if the new economic activity is in areas that are socially useful. But, still, most governments in the world chase GDP growth as the ultimate goal.

In the 30 years after the establishment of the Bretton Woods institutions, global growth was indeed good – showing marked

## THE RACKET

improvements on the pre-war period. But this does not alter the fact that these institutions were initially created to enshrine US control of the global economy. If there was any doubt about what the intended plan was, all one needs to do is look at what happened from the mid-1970s onwards. In 1971, President Richard Nixon removed the US from the gold standard, where currency in circulation had to correspond to a specific amount of gold. This move unleashed a large amount of what is known as “footloose capital”. The Bretton Woods system as initially conceived at this point “broke down” – but the institutions that composed it would soon become the bodies through which the rest of the world was made pliable to this new capital. The populations of poor countries from Africa to Latin America were put in service of getting profit on this money. Whole societies were transformed; power was taken away from democratic institutions and placed in the hands of private bodies, the racket’s new silent rulers. And while all this was going on, the world entered one of its periodic depressions. In what is known as the “business cycle”, economies inevitably rise and fall as the irrationality of the market creates “bubbles” and troughs from which the poor have to pull themselves out and from which the rich can profit: buying at the bottom is the best way to make a fortune. Imperialism had changed its face, or in fact hidden its face. No longer would there be garrisons full of foreign troops ensuring countries were made to service their rich patrons; this was an invisible imperialism, and for that reason much stronger and more durable. This was the signature strategy of the racket – don’t let your subjects know they are subjects; don’t let your functionaries in the field know they are imposing a brutal form of imperialism. Let them think they are free citizens of a free world, of which the US is merely the neutral arbiter. Meanwhile, suck out the money.

## NOW YOU ARE INDEBTED

In the early 1980s a recession was imposed on the world by the Reagan administration carrying out a deflationary policy which put huge pressure on developing world countries with debts. It was the first worldwide economic recession since World War II, and countries that had borrowed heavily found themselves in dire straits: with deflation they had trouble meeting payments and some fell into default which meant they came under IMF control. Mob rules: as soon as they can't afford to pay back a debt, you own them. The IMF could now impose specific conditions, instructing: "We won't make any more loans unless you carry out certain programs." These programs, officially called "structural adjustment programs", were precisely attuned to what growing transnational corporations wanted from these developing world countries. Under IMF control they *had* to privatize. They had to cut back on public expenditure for things that would help ordinary citizens, such as public health and education, and they had to orientate their whole program not just to paying their debt, but they also had to welcome transnational corporations into the country on the nicest possible terms. It was a set of conditions serviceable only to the racket and incredibly damaging to ordinary people. It is like asking a friend if you can borrow \$20, and them responding: "I'll lend it to you if you let me wear all your clothes, use your computer whenever I want, sleep in your bed, and you pay me 10 cents extra every week until you pay it all back." It is worth remembering, as an aside, that in many places the crippling debt that countries had incurred during the long boom after World War II was stacked up by dictators and tyrants backed by the US and their allies, for example General Suharto, the genocidal Indonesian dictator. The people who would have to pay back these loans with the destruction of their social provisions had had no say in the loans themselves, which

## THE RACKET

often went on ingratiating the leaders that were oppressing them. Such debts are known as “odious debt” and many believe them to be not just wrong, but illegal. Still, they are used to control much of the world. Some nice examples for you: Indonesia has a massive \$80 billion-worth of debts, but it is estimated that 50 individuals own 95 percent of these debts. After the West had bankrolled Suharto to power, they then loaned him huge amounts of money that did nothing to benefit his subjects (particularly the 200,000 East Timorese people who were murdered under his watch). But these debts were instantly socialized so that future generations like today’s young Indonesians have to pay the debts for the lavish lifestyle of Suharto and his friends. And it is not only “useless” countries like Indonesia that get themselves into heavy debt. What is often ignored is the fact that Britain, France and Italy all defaulted on US debts in the 1930s.

During the so-called “debt crisis” in Latin America in the 1980s, commercial banks would no longer lend to governments or companies in the region, so their reliance on the Bretton Woods institutions became even more acute. What these arbiters of economic control embarked on was the destruction of an economic model that had helped build Latin America into one of the economic powerhouses of the world, a model which had seen other great successes. Known as “import substitution industrialization”, it was a system that sought to build up domestic industries by enacting protectionist policies to keep out foreign capital and products. It was, understandably, not a popular system for the racketeers seeking new markets in which to invest and export, so they brought it down. And so “export-orientated industrialization” – an economy oriented to producing exports for foreign countries using supplies often made elsewhere – was introduced. It was part of one of the oldest tricks in the racket’s playbook to keep a poor country poor and “underdeveloped”: allow a foreign company to extract minerals in

the “developing” country, paying little in tax or royalties, then take that raw material out of the country, build the product back in their own rich country, creating jobs and industry, and then sell it back to the people in the original country at a huge mark-up. The economies of these “underdeveloped” countries were put at the mercy of the vagaries of the global economy, where demand and supply would create interminable instability; in essence, it meant that independent development was impossible. Again: not an accident.

The destruction of public control over industry – which is one of the staples of these programs – ignored the fact that the state has an important role to play in creating a flourishing domestic industry. The US should know; after all, it has been one of the most protectionist countries in the world. Protecting nascent industries by putting up barriers to foreign investment and products is vital when these industries are in their infancy. The structural adjustment programs are adamantly opposed to this erection of barriers. The idea is that structural adjustment makes weaker economies “more like the West”, but it does nothing of the sort because the poorer countries have none of the economic base of their masters. Instead, it creates dependencies that rely completely on their western “sponsors” – it creates a situation where it is impossible for these countries to pursue their own path. And when nations start electing leaders that put the interests of their people ahead of those of western multinationals, you can bet that the Bretton Woods henchmen will be brought in to squeeze them into submission.

For Latin America, export-orientated industrialization was a prolonged disaster – huge amounts of capital flowed out of the continent, which helped depreciate its currencies (its currencies became less sought-after so their price fell), and in order to bring down inflation governments were instructed to raise interest rates – which in turn helped slow economies even further as it became harder



## THE RACKET

to borrow money. The continent's economy contracted by 9 percent in the five years to 1985. It was the same period of ascendancy for Bretton Woods, and this was no coincidence. The economic managers used "structural adjustment programs" and levered the debt the IMF and World Bank were owed to transform economies. "Rescue" packages and loan "deals" were struck with poor nations, *on the proviso that they did certain things to their economy*. Their economies would be rebuilt with the interests of western capital at the forefront; the new economies would be "precisely attuned to what transnational corporations wanted". One specialist puts the program like this: "privatization of the means of production, deregulation of all economic activity, encouragement of competition ... and [integration] into the wider world capitalist economic system."<sup>2</sup> The needs of the people – from healthcare to education – were thrown to the wind, as public institutions were forcibly privatized. Basic human rights were taken away as the poor were absorbed into the "global market" where fewer and fewer obstacles faced the holders of large amounts of capital. The penetration of the captured economy would be made much easier, as poor countries were bought up by western capital. The rich – centered in the capital of this economic system, the US – were growing richer, capital was draining from the poor world, and the destitute of humanity were crushed under the boot of adjustment programs. The racket was growing, as an aggressive form of capitalism, "neoliberalism", destroyed any institutions that represented those without capital.

Two professors from New York explain the result: "Half the people and two-thirds of the countries in the world lack full control over their own economic policy. Expatriate 'experts' managed by industrial country nationals and based in Washington DC regulate their

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2 Fidelis Akpozike Etinye Paki and Jude Cocodia (2011) "Africa in post-Cold War world politics", *Africana* 5(3): 5.

macroeconomics, investment projects and social spending.” To add insult to injury: “The principles guiding these instructions from afar are even known as a ‘Washington Consensus.’”<sup>3</sup> This consensus, in fact, stretches no further than the richest people on earth, the members of the racket. Of course, it is extremely hard to escape the lock that Bretton Woods puts on your country. One example of a leader and movement trying to do that was Luiz Inácio Lula da Silva, the former president of Brazil, who realized early on he would have a hard time borrowing money if he embarked on his more radical ideas to combat inequality in his country – the credit lines would be pulled. There is now a near-absolute rule in global politics that social democratic leaders become sell-outs. And why? Because the forces of capital and its enforcer the US are too powerful. Lula wrote a letter to his people at the start of his tenure explaining how far his hands were tied by foreign capitalists. Brazil, in other words, was far from a sovereign country. And that was no accident. “Either right before they take power, or right after they take power because the system has become so powerful, the constraints on the democratic leaders are so powerful that they really have a very limited range of choice, they have to work within very narrow bounds,” Edward S. Herman, an economist at the University of Pennsylvania, told me, adding that “the system is a beautifully integrated whole”, which makes it very hard for the victims to see the wood for the trees amidst the barrage of propaganda.

Another Latin American country, Argentina, actually became one of the poster boys for the failures of neoliberal policies when in 2001 its economy crashed. It should never have been an example of an economy in tatters, being at one stage among the most prosperous economies

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3 Ute Pieper and Lance Taylor (CEPA) (1996; revised 1998) “The revival of the liberal creed: the IMF, the World Bank, and inequality in a globalized economy”, Globalization, Labor Markets, and Social Policy Working Paper No. 4.

## THE RACKET

in the world. By the early 2000s it had become a basket case, thanks to its patrons in Washington and their local satraps. The crash came at the end of a long period in which the country had followed the prescriptions of the Bretton Woods institutions, restructuring its economy in the interests of foreign capital. It wasn't meant to be like this. In the 1990s, the usual glorification by the media of the Bretton Woods precepts was ascendant. Argentina, we were told, was the "model pupil" in the neoliberal university being erected around the world. It was, we were told further, an "economic miracle" thanks to the liberalization of the economy that began in earnest under President Carlos Menem who came to power in 1989, when the economy was admittedly in bad shape. At the time inflation – which measures the decreasing value of currency – was sky-high, hitting 200 percent at the time. Menem had actually won power by promising Argentinians a return to the "good life" – one with increasing living standards, improved services, the full gamut of the usual election-speak. But this idealism crashed on to the rocks of the Bretton Woods institutions when he entered the Pink Palace in Buenos Aires. He became a neoliberal; maybe he had been one all along but had had to hide it because such policies are rarely popular with the majority of the people.

Menem's first move was to allow private capital to profit from Argentina's public institutions. "We are pragmatists," he said, "state enterprises will be privatized to the extent that such action meets the government's interests." This was supplemented by other measures out of the IMF's playbook: the Argentine government would remove all tariffs and other barriers to the free movement of capital. Now US companies would have no responsibilities if the economy went belly up – they could invest and disinvest freely. The peso was pegged to the dollar, giving the US even more tacit control over Argentina – the interest rates set by the Federal Reserve in the US would now have

a considerable impact on Argentina's economy. Social programs were eviscerated and fiscal controls lifted, creating a human crisis. A World Bank study lauded the new moves in 1993: "Provinces now have most responsibility for such social services as education, health, security, and housing. Improving efficiency of the delivery of these provincial social services could be one of the most effective ways to improve the standard of living in Argentina" (for "provincial responsibility" read "privatization"). The "Shock" Menem used to push through these unpopular reforms putting his country's economy at the mercy of foreign capitalists was the hyperinflation that he had inherited. In fact, it continued even after his reforms. Money poured into Argentina initially as, in 1991, the US slumped into a recession and capital looked for new flesh to dig its teeth into. With its deregulation, Argentina was a common choice. In the one-year period 1991–92, foreign investment in Argentina nearly quadrupled from \$3.2 billion to \$11 billion. By 1997, the *Economist* thought wise to gush that the country's prosperity "reminds some of a golden era, a century ago, when the pampas supplied imperial Britain with wheat, beef and wool, and Argentina was one of the ten richest countries".<sup>4</sup>

But it was all a lie, a building constructed without girders. It soon came crashing down. Wall Street – the Holy Grail of global capitalism where many of the world's biggest banks are based and do their dirty – suffered another downturn. It was called the popping of the "tech bubble", which had mirrored Argentina's foreign investment bubble. When Wall Street crashed, the footloose capital which had been treated so kindly by the people of Argentina felt no loyalty and flew out of the country as quickly as it had gone in. Menem had discarded the controls that had been in place to prevent such a grand flight, so the people had no

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4 David Rock, "Racking Argentina", *New Left Review*, September–October 2002.

way to stop it. Economic historian Robert Brenner said that towards the end of the 1990s the US absorbed “all the world’s mobile capital. In this situation, countries that had staked everything on attracting investment were up against the wall.”<sup>5</sup> He added that the same period marked “the death knell for those peripheral economies that had tied their currencies to the dollar”. Argentina had staked everything on attracting investment and had tied its currency to the dollar. In the resulting downturn, the Argentinian government imposed harsh austerity measures. The IMF offered a \$40 billion loan but at this stage withdrawals from bank deposits had reached \$1 billion a day. The relatively new President Fernando de la Rúa declared, “I will never devalue”, but this proved an empty promise, and eventually devaluation happened and the historic debt default followed. In 2001 popular protests erupted on the streets of Argentinian cities during which 27 demonstrators died. The final straw was the IMF’s refusal to lend any more money because de la Rúa had failed to meet its conditions on public-spending costs. He resigned but left a country in ruins. Public services had been systematically dismantled, fiscal controls had been eroded and foreign corporations had no responsibility to stay put, leaving the government and banks bankrupt. The Bretton Woods institutions had done their job.

## YOU BETTER WORK

A class war is being fought and the poor are losing. The racket based in the West has the money and power to extend itself globally, and so workers are fighting each other for work across borders. The countervailing powers, such as strong organized labor groups, that previously had some check on business power have been eroded and fractured. Business can

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<sup>5</sup> Quoted in *ibid.*

now, like never before, write laws, weaken and destroy labor rights and the environment, and control the media without the public service option. And it feeds itself – as business takes over there is less space for people with a dissenting view; it has a magnificent self-reinforcing quality. It is true that more trade unions and workers' movements are needed, but the head wind is strong. The power of profit-seeking money has managed to create a world in its own image, largely through the Bretton Woods institutions. By globalizing capital and its production, the racket is doing something very clever and advantageous (for itself). They are pitting workers against each other rather than highlighting the gap between themselves and the peons that make their profits. The pressure valve has been released on the anger, which should be sky-high, against executive bonuses, irresponsible speculation and the insane repackaging of debt; it is now firmly trained on workers from other countries, who have been equally exploited by the same business hounds. This tactic is well known to the business community and the prevalence of “free trade” areas over the last decades is the embodiment of this thought-process. In the case of the North American Free Trade Agreement (NAFTA), the US pushed for a “free trade” integrated area covering itself, Canada and Mexico, which would allow its businesses to go into Mexico's economy and produce at a much lower cost, because environmental regulations were looser and labor laws laxer. Consequently, working Americans were done out of work because they could be undercut by Mexican workers. Also, heavily subsidized American goods could be sold at cheaper prices than indigenous Mexican produce, so agriculture was destroyed in Mexico. The only NAFTA winner at the end of the day was the business community, and instead of solidarity with Mexican workers, often the American unions turned to jingoism. This whole dynamic is called in academe the “race to the bottom” and operates over the globalized economic system,

where multinationals search for the least regulated country in which it can produce its goods cheapest. It describes a perfect world for foreign investors. It means that the workers who can pitch themselves most cheaply to oversized capital are the most “successful” in getting work. In the absence of any new International where workers can coordinate on a level that might counterpoise the “race to the bottom”, the result is that they often turn on each other.

Like all imperial strategies, the racket find voices of support in the local intelligentsia, whose job it is to rationalize brutal power and make it acceptable to the minds of the population. In the US, one such bright spark is Thomas Friedman, who calls the system outlined a “Golden Straitjacket” – i.e. the poor countries have no choice but to accept it, but it is beneficial for them. His evidence is that in 1975 only 8 percent of countries worldwide had liberal, free-market regimes; at that time, foreign direct investment (FDI) totaled \$23 billion. But by 1997, by which time the Bretton Woods institutions had done their most ardent work, this figure had soared to \$644 billion.<sup>6</sup> For Friedman, the increasing gap between the rich and poor was irrelevant, the human reality behind these figures did not penetrate his thinking, and he was not alone. Fetishizing investment is a widespread malady. But investment, and even growth itself, has no correlation with the improvement of life for the majority of the population in developing countries. It enriches a local elite, Friedman’s friends, his colleagues in the media and finance and the rest of the racketeers. But the people see none of it, and never have. In fact, the US knowingly pushed this strategy because, far from providing benefits to the debtors, it benefitted US multinationals. As governments in developing countries have been made to privatize and open up their economies at the behest

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<sup>6</sup> Thomas L. Friedman (2000) *The Lexus and the Olive Tree*, Farrar, Straus and Giroux.

of the IMF and other bodies, they have had to solicit investment. The most successful countries have become those that create the optimum conditions for transnational corporations – led by the US. These conditions, unsurprisingly, are lax labor and environmental laws and low corporate tax regimes. Transnational corporations have spent the past 25 years running this race, looking for the poorest country with the least social infrastructure in which they can produce most cheaply, turning the globe, or its poorest parts, into a wasteland of broken people and destroyed landscapes. This is all called “globalization” by the racket’s intelligentsia. Referring to this, Martin Khor, director of the Third World Network, has said: “Globalization is what we in the Third World have for several centuries called colonization.”<sup>7</sup> No one is arguing that more interconnectedness is bad, it’s “investor-rights” globalization that is opposed, merely because it is an updated form of imperialism that neutralizes the agency of billions of people. The so-called Washington Consensus removes freedom of choice from poor countries. They can no longer choose any development model that puts the needs of their own citizens ahead of the needs of international capital.

This “race to the bottom” also means that FDI has been uneven in developing countries. While Friedman may laud the increase in FDI, he fails to mention that there is a stark discrepancy between the few developing countries that have ridden on the crest of the “neoliberal”, US-led wave – “higher-tier developing countries” – and the rest who haven’t been so lucky. It is also quite clear that the real success stories of the period in question actually were the countries of East Asia who took a very different economic position than the neoliberalism that was rampant in Latin America and Africa. The state took on a heavy

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7 Karl Moore and David Lewis (2009) *The Origins of Globalization*, Routledge, p. xiv.



role in places like South Korea and Taiwan, and there were countless state programs to help the poor, bucking the neoliberal religion. South Korea is an anomaly – it doesn't fit the usual model, it's not a pure free-market economy at all – it's a highly controlled economy with the government giving a lot of direction. Its success was due in good part to the fact it wasn't following the structural adjustment rules. The same is true of countries like Taiwan – another controlled economy that didn't move toward the radical free enterprise system according to structural adjustment rules. The former neoliberal colonies, like Bolivia and Venezuela, which are now renegotiating unfair contracts with western companies, are inevitably denounced but, according to Joseph Stiglitz, the Nobel Prize-winning economist who was formerly chief economist at the World Bank but turned against it, what they are doing “makes a lot of sense”. The previous contracts had given next to nothing to the people of either country – that's what we call investment and they call imperialism. “The notion that you would want to invest more in education and health also makes a lot of sense,” adds Stiglitz. “What we don't yet know is the extent to which they will be able to succeed in doing what the previous governments failed, which was to provide a broad basis for development. You need education and health, but some things take longer, and we don't know the answer to that yet.” But if you take that course, as Hugo Chávez, the former president of Venezuela, did, you inevitably step on the toes of the racketeers. So it will try to take you out, as the US tried with tacit support for a 2002 coup attempt in Venezuela. Or in the case of another desperately poor country, Haiti, the US and its allies in Bretton Woods will wait until a crisis leaves you helpless to take full advantage.

As capitalism has taken on new – what philosopher Zygmunt Bauman calls “liquid” forms – it has been harder for people across the world to fight back. An asymmetry has emerged whereby those who

own the capital, who own the means of production, are not in any way dependent on the workers who make their profits. If a worker raises a finger, tries to fight for better conditions for himself or his co-workers, then the bosses can just move operations to somewhere where they can pay even less, where the grass is greener for capital. Workers on the other hand are stuck in their place – most have responsibilities like family, children and unpaid debts. The idea of the free movement of workers is a sham; many people are in fact stuck to the ground for prosaic reasons of everyday life. So the rich increase their life chances and prospects – the poor stay rooted in a bleak existence with no way out. It creates two parallel existences, two discrete classes. “When one side is fixed to the ground and has no mobility then the concept of liquid modern life is of very little use for them,” Bauman told me. “That situation differentiates very considerably the life situation, life prospects, life chances, of different kinds of pleasure – it is polarizing.”

When I interviewed Stiglitz, he told me that the Washington Consensus actually comprised a long list of policies, some of which were apparently “appropriate” at some times. In Stiglitz’s opinion, the problem was that this neoliberal ideology had become, in a sense, a religion, a set of extreme ideas that were seen to be a one-size-fits-all panacea for all the economic problems of the developing world. In layman’s terms, this was “free-market fundamentalism”. Stiglitz maintains that the Bretton Woods institutions have come to realize that their policies have been a failure, yet in his book, *The \$3 Trillion War*, he looks at the economic system now imposed on Iraq after the war and occupation. “I think one of the last attempts to impose neoliberal doctrines was in Iraq,” he told me. “After the World Bank had abandoned these ideas, the Bush administration was pushing it in Iraq: instant liberalization, instant privatization, even if it was against international law we tried to push it. It’s played a role in the difficulty of recovery.” The Bush administration

had attempted to oversee the privatization of all the natural resources in the Iraqi economy, through the constitution itself. When I was at the *FT*, a senior executive at Japanese investment bank Nomura said to me in an off-the-record interview: “Well, we all know we went into Iraq to secure 3,000 barrels of oil a day.” He thought it was funny that I had thought any different. This is how the racketeers talk behind closed doors. “I think one of the big, big worries is that the privatizations [in Iraq] will not have legitimacy and without legitimacy they may be reversed,” Stiglitz told me. “And if there is worry about them being reversed it will undermine investment, it will make it more likely that the privatizations will not have the beneficial effect that was hoped, and there will be asset stripping rather than wealth creation, so I think it was a very foolish thing to do.” Stiglitz was right that it would prove a disaster. He was wrong, though, to think that the World Bank and the IMF had learnt the error of their ways. They have not, because the logic of the system they oversee makes it impossible. These ideas remain popular, despite their failure, because they make the rich richer. And there are plenty more of these mad, bad ideas where this came from.

# THREE

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# RIGGING THE SYSTEM

## THE WHOLE TRUTH: FREE TRADE

“Almost every concern of the world, from the risks and safety of GMOs to climate change and biodiversity, from the protection of indigenous knowledge and resources to the reform of undemocratic and authoritarian global institutions like the WTO and IMF to global justice and fair trade, is reduced by the US to a question of ‘free trade’.”<sup>1</sup>

The fiction of “free trade” is one of the most potent weapons in the armor of the US in prizing concessions out of weaker countries and consigning them to an eternity of underdevelopment. More accurately, “free trade” refers to the freedom of America to do as it pleases in its trading relationships, while everyone else is forced to create economies conducive to being flooded by American goods. From the creation, as part of the Bretton Woods package, of the General Agreement on Tariffs and Trade (GATT), later to become the World Trade Organization (WTO), the United States has

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<sup>1</sup> Ziauddin Sardar and Merryl Wyn Davies (2002) *Why Do People Hate America?*, Disinformation Company.

preached the virtues of “free and fair trade”. In reality it has practiced nothing of the sort. A particularly infamous example is the June 1930 Smoot–Hawley Tariff Act that raised US tariffs to historically high levels in order to keep out foreign products. In this case, extreme American protectionism backfired and the Smoot–Hawley tariff is now widely seen as a contributor to the crippling depression that enveloped the US in that period. The official story is that the Smoot–Hawley tariff was the “high-water mark of US protectionism in the twentieth century” and that in the aftermath of that “mistake” the US learnt the error of its ways and henceforth “generally assumed the mantle of champion of freer international trade” (quoted from the official State Department history). In fact, this is the opposite of the truth. Free trade has always been, rather, an ideal the US government supported when it served its purpose and spurned when it did not. In 1947 the GATT was signed with the ostensible purpose of economic liberalization, the obliteration of tariffs for import and exports, and the creation of stronger international cooperation. But as the historian John Bellamy Foster points out, the US put forward the GATT “with the intention of consolidating the economic control exercised by the center states, and the United States in particular, over the periphery and hence the entire world market”.<sup>2</sup> A pattern begins to emerge.

In essence, the GATT became a forum for trade negotiations, with numerous rounds of talks. The most notable of these was the partially successful Kennedy Round of 1962–67 where real reductions were made in the trade barriers put up among the involved nations. This changed a decade after the Kennedy Round when the GATT assumed its role as a vehicle for US interests. Anthony Gamble, the

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<sup>2</sup> John Bellamy Foster (2003) “The new age of imperialism”, *Monthly Review*, 55(3).

economist, says that at this point the “US began to turn to a dual-track strategy with regard to trade liberalization”. Gamble was pointing out a certain tendency that the US had developed: the US puts pressure within the GATT to pursue a multilateral approach (this eventually led to the Uruguay Round in 1986 which gave birth to the WTO), while at the same time pursuing a course of explicit national self-interest outside. This was achieved through various new forms of protectionism and the initiation of bilateral trade liberalization with strategic partners such as Canada and Israel. One academic notes further how the US actually “formally remained outside the GATT regime”: the US Senate never ratified the GATT. But, he adds, the Senate “allowed the GATT system to work in a legal sense, by and large”. This precarious relationship with the GATT was consciously created because it allowed the US to be largely unconstrained by agreements which could have damaging economic consequences, while taking advantage of markets that could be prized open through the organization. The US was also upset that some countries were refusing to become part of the racket’s trade regime en masse. William E. Brock, the US trade representative in 1985 under President Ronald Reagan, is open about the workings. “The reasoning behind these efforts,” he said in reference to bilateral agreements outside the GATT, “is that additional trade-creating, GATT-consistent liberalization measures should not be postponed while some of the more inward-looking contemplate their own economic malaise.”<sup>3</sup> Reagan himself was maybe the West’s most zealous preacher of laissez-faire and free trade but, according to *Foreign Affairs*, “presided over the greatest swing toward the protectionism since the 1930s”.<sup>4</sup>

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3 Ernest H. Preeg (ed.) (1985) *Hard Bargaining Ahead: US Trade Policy and Developing Countries*, Transaction, p. 38.

4 Quoted in Noam Chomsky, “The passion for free markets”, *Z Magazine*, May 1997.

This led to the most notable bilateral agreement, the US–Canada free trade agreement, which was signed in 1989. It showed that the US was serious about forming arrangements outside the GATT and made economic sense for American business: Canada was the main single trading partner of the US. It imported \$79 billion of US exports in 1989, nearly 22 percent of its total and almost double that taken by Japan. Liberalization across the US’s other border, in Mexico, had seen US exports rise from \$12.4 billion in 1986 to \$25 billion in 1989. The supposed symbiotic trading relationship between these countries – the US, Canada and Mexico – eventually led to the North American Free Trade Agreement (NAFTA) which was signed in 1992 and put into force on January 1, 1994 (not without opposition as will be explored in a later chapter). Its selling point was the potential to bring together 360 million people and enjoin a collective GDP of approximately \$6,239 billion. But this agreement followed the paradigm started in the 1970s. The economic model pushed by NAFTA and other bilateral arrangements with countries in Latin America was one of forced structural adjustment that reflected “the triumph of economic liberalism, of faith in export-led growth and of belief in the centrality of the private sector to the development process”. This meant that any country wanting to trade with the US – a vital prerequisite for a developing nation to maintain a successful economy – had to adhere to this economic agenda. The US thus achieved its goal of making the rest of the hemisphere in its own image. The George Bush I administration, according to Anthony Payne, “conceived of NAFTA in wholly national interest terms, as devices by which to create an increasingly integrated hemispheric economy which the US could then use as the base from which to export ever more competitively to other, more distant, markets, preferably within the ambit of an extended GATT.”<sup>5</sup> This thesis

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5 Andrew Gamble and Anthony Payne (eds) (1996) *Regionalism and World Order*, Palgrave Macmillan.

is supported by a comment made by Peter Hakim, staff director of the Inter-American Dialogue, who told Congress in March 1991: “Of every dollar Latin America spends on imports, 50 cents comes to the United States. There is nowhere else in the world where we enjoy that kind of advantage.” Another of the major myths promoted by the US and its agents is that “trade liberalization” – which is code for getting rid of obstructions to US products – is a vital prerequisite for development. The truth is very different. The East Asian economies that have developed impressively in the second half of the 20th century are market economies, but South Korea, for example, is far from a free-market economy. It is, in fact, highly controlled and has bucked the structural adjustment rules. Taiwan is the same: it refused to abandon the economic tools it had in place to protect indigenous industry. Economic success followed.

I spoke to Bernie Sanders, US senator for Vermont, self-described socialist, and opponent of the free trade agreements. According to him, such agreements are emblematic of what’s wrong with the global economy. “What happens to local agriculture, to farmers who are doing subsistence farming, feeding their families?” he said. “They may get driven off of the land because there’ll be some export crops available, whether it’s coffee, or something else.” This is exactly what I had seen in Haiti, where subsistence farmers were pushed off their land by rice dumped by the US in the 1990s; then they were told that with foreign investment subsistence farming was no longer viable and “export-orientated” production was the order of the day. The impact on domestic workers is also disastrous. Sanders continued: “My own view is that, especially for this country, the evidence is overwhelming that the function of these so-called free trade agreements is not to open up foreign markets for American products made in America, but to give corporations the opportunity to shut down here, and move abroad, and take advantage of cheap



labor.” The effect for working Americans, and the economies of the weaker countries is clear.

Sanders continued: “What astounds me about this whole debate is I think the evidence is just crystal clear that China has cost us millions of jobs, NAFTA has cost us millions of jobs, and why people want to continue to go forward in a policy which just does not work for American workers, it really does speak, getting back to money, to the power of corporate America. You look at the polls out there; Republicans were saying, no, we don’t think free trade has done well for America, and yet, you’ve got Republicans and many Democrats who are defying the popular will, and defying all of the evidence, and that just speaks to the power of money.” The corporations benefit from free trade, which is why it is maintained. A major part of all free trade agreements is the entrenchment of a legal regime that enshrines “investor rights”, which means that domestic constituencies are often overruled in favor of foreign interests. It is part of further integrating countries into a global economy run in the interests of international capital rather than people. “Free trade agreements” actually often have nothing to do with trade – in the sense of a mutual lowering of tariffs. They are used, instead, to entrench corporate ownership of society through changes to the law in favor of investors. The free trade agreements, and associated bilateral investment treaties (BITs), often include a mechanism called “investor–state dispute settlement” (ISDS) which allows multinationals to sue a state, in international venues, that regulates or acts in a way the company doesn’t like. Power is drained from nominally sovereign governments and consequently their populations. Through this vast web of treaties and “agreements” criss-crossing the globe, our world’s *real rulers* take control.

## AND NOTHING BUT THE TRUTH: AID AND INVESTMENT

But “free trade” is not a lone star. Aid, and with it the obsession with “foreign investment”, are the others jewels in the crown. The Marshall Plan – or the European Recovery Act – which was the \$13.3 billion aid package (\$1.5 billion in loans) given to 16 Western European nations by the US in 1947 is a good place to start. One Harvard historian describes the Marshall Plan as “the high-water mark of official unrequited transfers to foreign governments”. Dexter Perkins, writing in 1948, said: “The feeling that security and the preservation of free institutions are at stake provided the motive-power behind the Secretary’s program.” The former US president George W. Bush called it “a moral victory that resulted in better lives for individual human beings”. The tendency for this “gift” to be absorbed into the ideological framework of American beneficence is easy to understand. On the surface it appears to be motivated by the undoubtedly selfless goal of rejuvenating Europe’s economies on the back of a demanding war. But on closer inspection things look somewhat different. According to the historian Melvyn Leffler, the Marshall Plan was devised to, quite simply, “benefit the American economy”. When I went to the World Bank archives in Washington, DC, I found a document written in the aftermath of its establishment which outlined openly how “foreign aid” was being used to bolster the US economy after World War II. “In large part, the outflow of goods after the war was financed by the United States Government grants and loans, through the Marshall Plan and other programs”, it read. “In broad terms, it can be said that the Foreign Aid programs of the [US] Government have financed over \$30 billion of exports from 1946 to 1952, or about one-third of total exports for this period.” The document pointed out that it wasn’t just foreign aid;

war was also good for business: “An added stimulus to the outward flow of goods was provided by the Korean war and the Western rearmament policy”. The primary motive of the Marshall Plan, and to some extent the whole Bretton Woods package, was the rectification of what these documents called “the dollar gap”. Before World War II there was a triangular economic arrangement, in which the US bought raw materials from colonies “owned” by Europe’s powers and, in turn, the US could count on its exports being bought in Europe. It was extremely important for US interests that this symbiotic trade pattern be restored in the wake of the war. European (and Japanese) access to developing world markets thus became a very important strategic consideration. The best way for Marshall and his cronies to secure such a trade relationship was to introduce large-scale aid to Europe, so that it had enough economic clout to keep buying US goods. This is spelled out clearly and brazenly in internal planning documents from that period. Undersecretary of State Dean Acheson, in his call for economic aid to Europe in May 1947, talks at length about the “physical destruction” and “economic dislocation” across Europe; fair enough, but he frames his elegies to a lost European dominance with his desire for American supremacy. After listing the devastation in Europe, he laments: “the accumulation of these grim developments has produced a disparity between production in the United States and production in the rest of the world that is staggering in proportions.”<sup>6</sup> This is the aforementioned “dollar gap”. He then says: “Your Congress and your Government is carrying out a policy of relief and reconstruction today chiefly as a matter of national self-interest.”<sup>7</sup> Simple as that.

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6 Dean Acheson, “The requirements of reconstruction”, May 8, 1947, <http://slantchev.ucsd.edu/courses/nss/documents/acheson-reconstruction.html>

7 Quoted in Noam Chomsky (1991) *Deterring Democracy*, South End Press. Available at <http://zcomm.org/wp-content/uploads/zbooks/www/chomsky/dd/dd-coi-s15.html>

With the far right defeated and discredited in Germany, Italy and Japan, however, the initial allure of Soviet-style communism was considerable. The disbanded resistance movements all over Europe had a large communist element and they were a real and present danger to the “class” interests of the US, especially in the face of the Soviet superpower. According to one historian, the Marshall Plan was used “to force Europe to soft-pedal welfare programs, limit wages, control inflation, and create an environment conducive for capital investment – part of it financed out of labor’s pocket”.<sup>8</sup> The US was aware that making Europe dependent and reliant on dollars would provide a fatal blow to the attempts of the Soviets to push their sphere of influence westward. Commenting on the rebuilding of Germany by the US, Leffler writes: “Whereas the Americans hoped that German power would be co-opted, controlled, and modulated, the Soviets naturally feared, as did many Western Europeans, that the steps to rebuild German power might in the long term have unfortunate consequences.”<sup>9</sup> The scale of the Soviet apprehension about the intentions of the US in its “state-building” is revealed by their refusal to allow the Eastern European countries under their *de facto* control to participate in the Marshall Plan. Their hostility to American aid is understandable and was not misplaced. Internal planning documents that anticipated the Marshall Plan stipulated that a major purpose of US foreign aid would be “To reduce or to prevent the growth or advancement of national or international power which constitutes a substantial threat to US security and well-being and to oppose programs of coercion and infiltration, especially when effected by the use of armed minorities and to oppose the spread of chaos and extremism.” The catch-all phraseology is undoubtedly aimed at the Soviet

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8 Ibid.

9 “New perspectives on the Cold War: a conversation with Melvyn Leffler”, *Humanities* 19(6) (November/December 1998).

Union and its partisans of whom there was a burgeoning number post-1945. After the Cold War, and during, this actually meant using foreign aid to keep on a leash smaller powers that looked to be moving towards independent nationalism or any form of meaningful sovereignty. The western intelligentsia garnered the good-will of their citizens by harping on foreign aid – i.e. “free” money going to the developing world to help ameliorate health problems and poverty. Aid is, in fact, “often deployed to supplement private trade and financing”; it is a method of control, as we will see when we investigate USAID later in the book. Far from being the long-awaited break with a paradigm that has seen the West exploit and pillage the Global South for centuries, the “debt relief” and “aid packages” offered by the rich nations are a continuation of the same shameful modalities. Behind all the glistening propaganda about a “new era for Africa”, and “the birth of western altruism”, lay a dull and familiar blueprint for the export of the so-called “neoliberal” economic model, better represented as neo-imperialism. During one G-8 summit in the 2000s, the finance minister’s statement stipulated that to qualify for debt relief developing countries must “boost private sector development” and “eliminate impediments to private investment, both domestic and foreign”. These are the *sine qua non* for the entrenchment of the neoliberal economic model. It further transpired, when the self-congratulation had eased only slightly, that much of the money donated to the 18 Heavily Indebted Poor Countries was actually coming out of their aid payments. This meant that the increase in funding was negligible at best, and non-existent at worst. All those except the heavily myopic saw through the G-8 leaders’ attempts to sublimate the spread of neoliberalism (and the easing of aid payments) into debt relief. As we see, after a little inspection of the small print, debt relief, as most people understand it – the effacing of all debts with no catches – is not, in fact, supported by any leader in the racket.

## ANOTHER WAY OF DOING THINGS

Despite the fact that the racket has remained unchallenged for decades, this does not mean that the racketeers are paranoia free. Nowhere is the decline of US power and influence felt more than with the US's political and economic relationship with Latin America. US planners used to refer to Latin America as "our backyard". These days the new players in Latin America are, primarily, Asian. "What you have is a process of structural change in the trade patterns in Latin America, that is very significant and likely to continue to go in that direction," Augusto de la Torre, chief economist for Latin America and the Caribbean at the World Bank, told me in his office in Washington. "The region is becoming highly differentiated, with countries, mainly in South America, diversifying their export-destination markets significantly," he added. A decade ago, Asia accounted for roughly 5 percent of the region's trade, but this has ballooned to 20 percent. Much of the growth is down to the region's commodity riches, particularly iron ore, being sucked in by a booming China. The US's most important trading bloc, the North American Free Trade Agreement (NAFTA), is nearly two decades old and is starting to look its age. The share of trade between the three signatories – the US, Mexico and Canada – has fallen by nearly 10 percent in a decade: from 55 percent of the countries' global exports in 1999 to 46 percent in 2009. President Barack Obama even campaigned for the presidency on his opposition to the NAFTA agreement in its current form and complained about former president George W. Bush's attitude that "any trade agreement is a good trade agreement" and lamented the fact that NAFTA "did not have enforceable labor agreements and environmental agreements", which was disgraceful and true. In power, Obama reneged on his promise to renegotiate the deal, like he did on so many things. Later, he even approved a trade agreement with Colombia, one that

## THE RACKET

had been zealously backed by Republicans and business groups in Washington. Pressure from labor groups and unions had briefly given Mr Obama pause, but he eventually signed on the dotted line. The US–Panama accord, meanwhile, which was signed by Panama in 2007, had still not been ratified, with business groups using the common propaganda argument that delays have “allowed US rivals to capitalize”.

A move to regional trading blocs in Latin America has also begun to chip away at the racket’s control. The most significant of the groupings has been Mercosur, which was founded in 1985 and includes all South America’s main economies as full or associate members. But its progress has not been steady and, since the early 1990s, it has been stuck over the removal of barriers, witnessing in some cases reversals and new obstructions. Although a serious grouping, Mercosur accounts for only 11 percent of Brazilian trade, for example. The US has been happy with this, as it means more reliance on the empire upstairs. But Latin American governments could now choose who they deal with, which lowered the importance of appeasing US interests. The more recent grouping, the Bolivarian Alliance for the Peoples of Our America (ALBA), was more scary to the Americans because it was largely set up as a political, rather than an economic, bloc, as an explicit way of avoiding the US dominating the people of the region. One place the US still had direct control over was Colombia, which was the jewel in the crown of the racket in the region, the Israel of Latin America.

Stationed in the *FT* office in Washington, DC in 2011, I was asked to watch the passage of a free trade agreement that was being furiously debated in Congress. As we have seen, such agreements are intended to give preferential trade terms to producers in the respective countries, in this case the US in Colombia and vice-versa. At least that’s the theory. What actually happens is that jobs leave the richer nation and go to the country where workers are paid a pittance, while goods from the richer

country flood the poorer, pushing out indigenous production. The winners, once again, are transnational corporations who spread their tentacles further into foreign lands, with less regulation and increased freedom to pollute and destroy. In this case, the tariffs Colombia had in place on American goods would be eliminated. Tariffs are government taxes that are imposed on foreign products in an effort to protect indigenous industries that have to compete with (sometimes) cheaper goods. In eliminating these, the Colombian government was potentially destroying its own manufacturers. It is no surprise that Republicans – the chief representatives of the racket – were pressing President Obama hard to push through a deal. In Washington, I called a Republican congressman, Kevin Brady, who told me of his fears that China, the new kid on the block, was invading the US's traditional backyard: Latin America. The free trade agreement would help the US to stave off China's rise, which had recently become even scarier for imperial managers when it was revealed that China was planning to build an alternative "dry canal" across the Panama isthmus. The US had traditionally had complete control of the Panama isthmus through the Panama Canal, which remains the only sea path through the western hemisphere – from Canada to the bottom of Argentina. The US had signed a treaty with Panama in the early 20th century for control of the canal after its own US Army Corps of Engineers built it. Panama itself had been created with the help of the US when it seceded from Colombia in 1903.

Brady, who represented Texas's 8th congressional district, was a member of the committee overseeing the passage of the free trade agreement. "This shows how aggressively China and other US competitors are establishing markets in our backyard," he told me. "China is taking smart advantage of America's inexcusable delay of nearly five years in approving its free trade agreement with Colombia." Barack Obama, no real friend of working people, had been cautious to



## THE RACKET

sign it because it would lose him support among the Democratic base and the unions who were ardently opposing the deal. The reasons were simple: the deal would destroy American jobs, as even more production was “off-shored” to other countries. Free trade agreements often only benefit labor (not wages) in the poorer country, while locking in an “investor-rights” economic climate. (And when I say “benefit” I should add that the type of work it locks poor countries into is often sweatshop labor, as subsistence or small-scale agriculture is destroyed by subsidized products from the US or Europe coming in without tariffs. The people have to leave the countryside and become part of this new “economic miracle” of working in sweatshops for slave wages six days a week.) Unions also pointed out the Colombian government’s horrendous record with labor and human rights. The country ranks as the most dangerous in the world to be a trade unionist, as far-right paramilitaries, allied in many cases with the government, terrorize civil society. In the end Obama saw what he wanted to see and accepted the cosmetic changes that the Colombian premier, Juan Manuel Santos, promised. It is a familiar story: little to no real change.

For over 40 years there has been a civil war raging in Colombia between government forces and left-wing guerrilla groups, in which the US has been heavily involved. The ongoing battle for control over strategic areas has resulted in many civilians being caught in the crossfire. An estimated 70,000 people have been killed in the past 20 years. Of these, over 2,700 have been trade union leaders, the overwhelming majority of whom were targeted by government-sponsored paramilitary groups in an attempt to stamp out worker mobilization. According to the human rights organization Global Exchange, since the US began sending aircraft and on-the-ground training to Colombia in 2000, politically motivated killings have risen from 14 to 20 per day, and the number of kidnappings and

disappearances has doubled. In 2004, Bush asked Congress to prolong the generous aid package to Colombia for the years to come, adding to the \$3 billion donated over the previous five years (it was started under Bill Clinton's "Plan Colombia"). One in ten Colombians has been uprooted because of the violence. It is estimated that there are over 3.5 million internally displaced persons (IDPs) in the country, the second highest number in the world after Syria. Within this panorama of internal violence and forced acquisition of land, women have been adversely affected: around 65 percent of the displaced population are women (the effects of US imperialism are inevitably worse for women). This gender imbalance is a result of the common breakdown of families following the stresses of displacement, which in many cases causes the men to leave; or when the men are killed their wives and partners are forced to escape alone with their families. The experience of 17-year-old Yessika Hoyos is, sadly, not unusual. During her first month of law school in Bogotá – the capital of Colombia – her uncle showed up to fetch her from class. He told her that she was needed at the hospital. Yessika and her uncle made the hour-long car journey to the family's local hospital in the town of Fusagasugá. There, Yessika saw her mother and her siblings huddled together. Her 14-year-old sister had found their father lying in a pool of blood outside his friend's house. As she ran to attempt to resuscitate him, she found that he was riddled with bullets. Shot seven times in the head, he had died instantly.

"My father's name was Jorge Darios Hoyos Franco, he was a trade union leader and on the 3rd of March 2001 he was assassinated," Yessika, aged 25 when we met her, with a tone of self-assuredness that belies the horrors of the personal tragedy she was recollecting, told me and my colleague Ana Arendar. "Initially, like with all the trade unionists that have been assassinated in Colombia, the police claimed

## THE RACKET

that it had been a murder of passion ... We knew this not to be true as my father had been receiving death threats for months due to his trade union activity ... so we had to really fight and struggle for the truth to come out.” Yessika and her mother began to petition for her father’s killers to be brought to justice. They gave interviews in the local media and worked with a national center for human rights to collect evidence. “Then my mother started receiving calls telling her that we had to keep our mouths shut or we would end up like my father,” said Yessika. “People started coming to our house and threatening us, we were followed in the street, that’s why two weeks later we were forced to leave our house and we became displaced. We went to Bogotá. In one year we moved house at least five times, because every time we moved they would find us and threaten us so we would have to move again.”

This was also the case for Haydee Moreno, whose husband was assassinated by paramilitary factions in 1994. She was left widowed with a five-year-old son while four months pregnant. “We had to abandon everything we owned, all our belongings, our house and our land, and move,” she said. “It is the women who are most vulnerable in a situation of displacement. We have to think about how we are going to find food for our children, how we are going to make sure they get an education, while also worrying about how we are going to stay safe and provide for the family.”

A report by the non-governmental organization Refugees International highlighted sustained government failure in dealing with IDPs or developing adequate responses to the needs of specific groups such as women and children. The report identified the gender dimensions of displacement which have been largely ignored, these include: lack of access to healthcare – especially access to obstetric care; high levels of domestic abuse triggered by the increased stresses brought on the

family; the psychological trauma suffered by women who have lost loved ones; the high number of women who have turned to prostitution as a means of supporting their families; and the high incidences of rape and sexual violence which have been continually used as an act of war by both sides of the conflict. This devastating injustice impelled the Constitutional Court in Colombia to rule that the government is failing in its duty to provide humanitarian assistance to the country's displaced women. "The government now appear to be doing something but their efforts aren't proving effective," explained Isabel Ortiz Perez, president of *Mujer y Futuro*, a Colombian foundation that works to defend women's rights. "There is no coordination between the programs they offer. For example they have been attempting to create housing for displaced women but they won't create any education facilities. As a result displaced children aren't able to go to school and mothers aren't able to work as they have to look after their children during the day."

Isabel thinks that the government should be focusing its efforts on the provision of childcare and helping women find employment within the formal sector. "At the moment the majority of displaced women are employed in the informal sector, selling sweets on the streets or working in the domestic sector. This is all work in the informal economy which means that these women are left without social services or healthcare."

Yessika finished her law degree and now works for the José Alvear Restrepo legal collective (CAJAR), a human rights firm which is handling her father's assassination case. Despite the arrest of the men who shot her father, those who ordered the killing remain free. Yet Yessika considers herself to have been one of the lucky ones. When her family was displaced, her mother was able to keep her job as a schoolteacher and they had friends who helped them move to Bogotá. "My mum was able to continue with her work, if she hadn't I wouldn't

be here now, neither would I have been able to complete my law degree,” she said. “But most of the displaced women who arrive in Bogotá are peasants whose lives and customs revolve around cultivating the land. They often arrive in the city illiterate with no education and no possessions, what hope do they have?”

US support for this kind of barbarism might even be futile now, as China steps into the fold. “We’re in a new era,” Larry Birns, director of the Council on Hemispheric Affairs, told me when I interviewed him in Washington. “It’s an era where strategy is defined more in terms of access to food and commodities, rather than naval bases and alliance policy. The Chinese are leading the way. US primacy was largely due to the fact it had no competitors, now it *only* has competitors,” he added. Other countries are weary of the US style of imperialism, and see China as a way of escaping the investor-rights straitjacket imposed by the US. Brazil, the source of much of China’s iron ore, which produces steel, is a good example. (The US helped overthrow the country’s democratic government in 1964, installing a brutal security state which ruled for decades.) The move to a global economy revolving round commodities has also upset the traditional dominance of the US (and the EU). The US which used to rule the roost in trade discussions, through the WTO, is now being bypassed; any number of countries are becoming emergent countries, and they are benefitting even more because they are not *consumer* economies. The advantages that used to accrue automatically to the US have, to some extent, now slipped to the other side, to the poor nations, because they have agricultural commodities and oil. But the US-enforced system of corporate mining and resource extraction, a particularly vicious arm of the global racket, which gets these commodities out of the ground for a healthy profit, still causes untold suffering around the world.

# FOUR

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# CURSING YOUR RICHES

## KILLING FOR TREASURE

One of the oldest money-making schemes of the racket is the pursuit of the natural minerals under the ground of another country. The mining industry is a multi-billion-dollar enterprise, which sees transnational corporations shift natural resources around the world. The annual turnover of many of these corporations is bigger than that of the countries from which they are extracting. The US is at the forefront of keeping economies in the Global South open to western mining companies – often by getting rid of governments that want to do things differently. The corporations are from all over the rich world, and they often destroy the environment of the local areas. The people on the ground, those who fight back, are never viewed kindly – and mining companies often, with the help of local proxies, will take them out. When I was covering mining at the *Financial Times*, I went through a period where, to put it simply, people kept being killed. Perhaps unsurprisingly, none of my contacts in the mining world would talk to me about it, but I'd see repeat newswire stories of people being gunned down on the streets

by no-one-knew-whom. In a six-day period over Christmas 2010, for example, while I was working for the *FT* in London, two prominent anti-mining activists in El Salvador were shot dead in broad daylight. First, Ramiro Rivera Gómez, vice-president of the Cabañas Environment Committee (CEC), which was campaigning to stop Canadian mining company Pacific Rim from opening a gold mine in the area, was killed while walking with his 14-year-old daughter. Six days later, Dora “Alicia” Recinos Sorto was shot returning from washing laundry in a nearby lake. She was eight months pregnant and another prominent member of the CEC. Amnesty International called on the Salvadoran authorities to investigate the killings, but nothing happened.

So I decided to call the company. “This has nothing to do with Pacific Rim. It’s a local family feud,” Tom Shrake, chief executive of the company, told me, sounding agitated. I guessed *FT* journalists didn’t ask these sorts of things very often. He continued: “There are radical elements out there that would like people to believe it’s about mining, but it’s not true.” But stories of violence and disruption at mining sites around the developing world are common and consistent. In Mexico, also in that December, the authorities temporarily closed down a barite mine operated by another Canadian company, Blackfire Exploration, after indigenous leader and activist Mariano Abarca Roblero was shot in the head and killed by a passing motorcyclist. Abarca Roblero had been a leader of the Mexican Network of People Affected by Mining, and was involved in the resistance to an open pit extraction mine in Chiapas. I soon realized that similar deaths were happening all the time, everywhere. These incidents were indicative of a program of intimidation and murder for anyone who opposed the opening up of their land to foreign mining companies.

These stories brought back bad memories for an industry that had spent decades lavishing considerable amounts of money and time on

trying to clean up its image – not because it cared about the people being displaced, but because it was starting to hurt the bottom line. In a 2007 article in the *Multinational Business Review*, Hevina Dashwood explained that mining companies “were caught in the mid-1990s with a significant gap between societal expectations and their institutionalized practices ... For the industry as a whole, the gap had widened so much that companies experienced a legitimacy crisis.” The industry-wide obsession with “sustainability” and corporate social responsibility (CSR) started around the turn of the millennium as mining companies started to feel the effects of their reputation in their ability to operate around the world and make money. This crisis was averted by a slew of new organizations dedicated to promoting CSR and improving the image of the industry. In 1999, nine of the biggest mining companies joined forces to create the Global Mining Initiative, intended to provide ideas and strategies for “sustainability in mining”. In 2001, the representative body for the mining industry was transformed into the International Council on Mining and Metals (ICMM), which dedicated itself to 10 principles – from education to the environment – to which the industry pledged to hold itself. The field of CSR was so popular in the mining industry during this period that the University of Queensland in Australia founded its own Sustainable Minerals Institute in 2001 to promote the practice. It was, the school said, established “in response to growing interest in and debate about the role of the mining and minerals industry in contemporary society”.<sup>1</sup>

But in reality, despite cosmetic changes, nothing fundamental changed. The dynamic of capitalism meant it never could: the mining companies didn't go to these poor countries for charity; they wanted to take their minerals and make a profit on them. Paying workers

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<sup>1</sup> [www.aurecongroup.com/en/thinking/themes/urbanisation/resources-demand-and-community-impacts.aspx](http://www.aurecongroup.com/en/thinking/themes/urbanisation/resources-demand-and-community-impacts.aspx)



## THE RACKET

well, or paying to clear up after themselves, hurt the bottom line and shareholders, which was what these institutions, by definition, cared about. “The recent murders of mining organizers in Mexico and Guatemala, and horrendous toxic waste spills such as at Barrick Gold’s North Mara mine in Tanzania, make it very hard for the mining companies to convince us that their conduct has improved,” Alexis Stoumbelis, executive director of the Committee in Solidarity with the People of El Salvador, which had spoken out about the assassinations in the country, told me. “What has changed is the mining companies’ attention to and investment in projecting an image of themselves as socially and environmentally responsible.” She was right.

But agents of the racket don’t just come in the form of chief executives. These places employ people to improve their image – the black world of public relations. Tim Purcell, a director of the public relations firm CO3, predictably disagreed: “The larger players have now had to tackle ICMM issues,” he said. “Some [issues] are old as the hills, from indigenous tribal issues, to political insensitivity, to profound health and safety issues. But the industry does take these issues seriously, and it shares the concern and strategies about dealing with these things ... About 10 years ago major mining companies had big reputational issues,” he continued. “The criticisms ... were starting to affect business. Companies weren’t getting licenses to operate – things like that.” When business was hurt, things had to change. Or at least the image of things had to change. In truth, the people in the countries, behind the paeans to foreign investment and new jobs, were slaves to an old and well-established form of imperialism that had consigned them to underdevelopment for centuries.

At that time, I also spoke to Kenmare Resources, a company that owns and operates a titanium mine in Mozambique which was one of

the “success stories” of this trend for corporate concern about reputation in the mining industry. It won a Corporate Social Responsibility Award in 2009 from the Chamber of Commerce of Ireland for its Kenmare Moma Development Association (KMAD), which was founded in 2004. The company also won the Nedbank Socio-Economic Award for the same project. “Basically, right at the outset of the project, we knew that in order for this to be a long-term success, we had to make sure that people saw it as an economic good for them – not for the country, but for them directly,” said Kenmare’s managing director, Michael Carvill, parroting the official lies. “In order to achieve this, we set up a not-for-profit development organization with the objective of ensuring that the local communities benefit from mines.” In the mining industry, making sure that local people actually have some benefit from their resources warrants copious prizes.

Carvill told me all the wonderful things KMAD provides to the local communities in Mozambique, from jobs to healthcare to agricultural training. “We even started a wildlife fund joint-venture, which provided agriculture technicians to tutor people in how to grow stuff that might be sold to the mine, and we lean on the mine so they buy,” Carvill said. “It has given people who were in absolute poverty some money, and it has allowed for a better trickle-down effect. We’ve also built a couple of schools.” The truth of Kenmare’s venture for the people of Mozambique is in the fine print. The Moma mine operates in an industrial free zone (IFZ), which makes the processing plant exempt from corporate taxes, import duties, export duties and VAT, with a 1 percent turnover after six years of production. It is estimated that Moma could have annual revenues of \$85 million over a 20-year period. This “arrangement” comes straight out the racket’s playbook: you pay no taxes or royalties on the people’s minerals and then act like Jesus Christ come to save the natives with schools and hospitals. No matter

that these are of poor quality and cost well below the millions of dollars you've saved in taxes. PR job complete.

This kind of deal is often cut between governments and foreign companies, especially when capital costs will be high, and it's one of the main gripes of civil society groups in developing countries, which argue that while jobs and benefits may flow to the communities near the site, the rest of the country is left empty-handed, save for those elements of infrastructure needed to connect the site to the rest of the country. The argument from mining companies is that they have the capital and expertise that developing countries don't, which might be true. But the answer in that case is for developing countries to build up their indigenous expertise by building an engineering university. Of course, mining companies don't want to hear this because it would make them obsolete, so the trend continues: the developing countries stay underdeveloped and reliant on foreign capital – until they get a leader with the people's interests at heart, rather than the interests of foreign capitalists, as in Bolivia, which we'll look at later.

“When I first engaged in this industry, over 30 years ago, with very few exceptions it was rough-handed and red-necked,” said John Elkington, founder of SustainAbility, a strategy consultancy and think-tank. “These people were real bruisers. In the same way it's said that you can't make omelets without breaking eggs, they argued that you couldn't dig mines without destroying the environment. They had no time for environmentalists.” Now though, he said, things are different. “I genuinely believe that the ICMM process helped catalyze real progress – and some industry leaders have had some sort of crisis of conscience over the past decade or so.”

It was all lies. Nothing has changed apart from appearances. Some in the mining industry admitted they didn't even know what “sustainability” actually means, even while they sing its praises. “I

wouldn't actually know how to define it; it's very ill-defined and got such a broad spectrum," Dr Bernard Olivier, executive director of miner TanzaniteOne, told me in South Africa. "We care about making sure the local community is bought into the process, but I don't know if that's the definition of 'sustainability'." Chief executives of mining companies talk about the need for a "social license" – or a lack of community backlash – to work in foreign countries. The new paradigm was meant to make this easier. The mining meet-up I went to in Cape Town, South Africa, lasted only four days, but half of the schedule was given over to discussions of CSR. Despite this preoccupation, many leading mining companies also cannot provide definitive figures on how much they spend on CSR. I asked the five biggest companies – BHP Billiton, Rio Tinto, Vedanta, Anglo American and Xstrata – to tell me what they spent. Only Vedanta provided a figure for CSR at the group level and the company could only provide two years of data. The other four said they don't account for CSR spending – under which fall local community projects and environmental awareness – as a discrete category. Anglo American, which said it could not provide any figures at all, commented: "For Anglo American, corporate social investment and responsible business practices are absolutely embedded in the way we operate." The figures from the other four show that spending in the categories which they pointed to as closest to CSR have risen significantly since 2004, but year-on-year increases have been patchy and inconsistent. Rio Tinto said the nearest it comes to accounting for CSR is its "external costs" accounting section. Xstrata provided figures for corporate social involvement (CSI), which only includes investment to initiatives or projects that benefit the broader community where it works, not the "significant expenditure" on day-to-day operational expenses. However, its CSI spending rose precipitously from £10.5 million to £102 million but fell by nearly half to £58.5 million in 2008.

## KILLING FOR PROFIT

Despite CSR and CSI spending, despite all the PR, the human story was not getting any better, as became apparent when I started looking into contemporary legal battles. One of the most high-profile cases involving local resistance to a new mining project involved the company Vedanta. A tribal people in India called the Dongria Kondh are engaged in a civil disobedience campaign to stop the company from developing an open-pit bauxite mine in the Niyamgiri hills, in the state of Orissa, in eastern India. The Dongria worship Niyamgiri's peak as the seat of their god. Vedanta already has a bauxite mine at the base of the hills. A British government agency, the UK National Contact Point (NCP), which oversees the enforcement of Organisation for Economic Co-operation and Development (OECD) guidelines on business conduct, released a statement critical of Vedanta. It concluded: "Vedanta failed to engage the Dongria Kondh in adequate and timely consultations about the construction of the mine, or to use other mechanisms to assess the implications of its activities on the community, such as an indigenous or human rights impact assessment." And yet, since January 2009, after the financial crisis when the Vedanta share price was as low as 584p, the stock has quintupled to 2,106p. During this period the company received reams of bad press; the Church of England and the Joseph Rowntree Charitable Trust sold their stock; and the company was condemned by the NCP. But only four days after the Rowntree announcement, Vedanta's share price jumped 72p in one day to £26.26. In August 2006, a proposed coal operation in Phulbari, Bangladesh, became the center of a protest that badly impacted the share price of GCM Resources which owned the asset. Local resistance had been building and eventually a crowd of 50,000 people marched to the offices of GCM. In this case, the police fired live rounds on the

peaceful protest and killed three people and injured many more. “While the market should pay more than lip service to CSR, the reality is that it only cares if social unrest on the ground starts to impact a mine’s operational performance,” Joe Lunn, mining analyst at finnCap, told me. “Generally speaking, the assets of large mining companies are more diversified with enhanced geographical spread so are less affected than a small company with a single project.” In the same month as the NCP ruling, the English High Court froze £5 million of assets belonging to another British mining company, Monterrico Metals, after 27 men and women were allegedly detained for three days at its Rio Blanco mine in northern Peru. The 27 were protesting the mine’s development. In development circles the term “resource curse” has been invented to describe the tendency for these great sources of wealth to turn into destitution and violence for the citizens sitting on top of the deposits, while profits are sent abroad. It is, of course, not an *accident* that it ends like this.

When I was in South Africa in 2012, the mining honchos talked endless hot air about the wonderful safety standards upheld by the mining companies, as happy workers beamed out from glossy brochures. But at the same time the leading mining companies on the London Stock Exchange had failed to bring down the number of fatalities at their operations, despite constant rhetoric to the contrary. I surveyed four leading UK-listed mining groups – Rio Tinto, Vedanta, Xstrata and BHP Billiton – and found the number of fatalities had more than doubled since 2005. The companies recorded 23 deaths in 2005, while in 2008 the figure was 54. The *FT* published the story – derision ensued.<sup>2</sup> “It’s a difficult one because, I think, individually companies are seeing results,” said Carel Labuschagne, chief

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<sup>2</sup> Matt Kennard, “Miners’ efforts fail to cut death toll”, *Financial Times*, January 18, 2010.

executive of the International Register of Certificated Auditors, a risk management group advising companies on safety issues. “The problem is the cultural change coming down from management is a process.” Rio Tinto asserted: “Safety is in everything we do. Our figures should be looked at in terms of an expanding workforce. But of course, any fatality is too many and we strive to keep it to an absolute minimum.” There are no binding regulations on mining safety although there are international “standards” – as with everything else in the industry, when it comes to social concerns the law constraining companies is merely a gentlemen’s agreement.

One mining executive I spoke to summed up the real reasons for the change in image, and also the reason why even the smallest improvements are, at root, undertaken for profit. “I’d love to say our projects were entirely altruistic,” said Brad Sampson, executive director of Discovery Metals, a copper mining company operating in Botswana, “but the last decade or so, mining companies have realized that unless you bring along the local community, you can’t operate. If you don’t, you will not get a social license to operate. I’m not talking about paper – but that local communities can stop projects from developing. You have to get them on side. What you are doing with a mining project in a faraway part of the world, you are imposing a degree of change, which is difficult. I think there’s no question that the mining industry came with a messy reputation. Whether that is deserved you can debate.”

Over the last decade, the global mining industry has awakened to the need to address sustainability issues. But for this to be fully realized and its services utilized over the next decade, many within the industry believe that a binding international regulatory framework is the vital next step. “Voluntarism only takes you so far,” said Elkington of SustainAbility. “It helps promote experimental approaches and a degree

of competitive behavior, but there will always be those companies that prefer not to follow the corporate-citizenship line. They have to be brought under control via appropriate governance – regulatory and legal mechanisms.” That hasn’t happened.

## OUR LITHIUM

Evo Morales, the president of Bolivia, is at the forefront of a change in the attitude among developing-world leaders toward foreign – or, more specifically, western – mining companies. His country owns half the world’s deposits of lithium, which could be hugely lucrative if developed. But his government is reluctant to let western companies in. Mining minister Luis Alberto Echazu has said: “We will not repeat the historical experience since the 15th century: raw materials exported for the industrialization of the West, which has left us poor.” Instead, Bolivia has bucked conventional developmental economics – which outsources development and production to foreign companies expert in the field and with reserves of capital – and has endeavored to develop its deposits with state-owned companies, rebuffing the overtures of countless western companies. Morales needs to raise \$800 million to construct the mines and processing plants needed for this approach. In an industry report, Bolivian mining was reported to have grown 13 percent in 2009.

In 2012, I went to see the Bolivian ambassador to the UK to find out what was behind this new way of doing things. She told me she doesn’t get many requests for media interviews. When financial news outlets in the West write about Latin America, it’s inevitably an article lauding the “economic miracle” of its Brazilian neighbor or a scaremongering editorial about the Red Menace of Venezuela. But a look at the media elsewhere – specifically emerging markets in East Asia – and the story



isn't so monochrome. In fact, China's state news agency, Xinhua, covers pretty much every statement made by Bolivian President Evo Morales. Why? It's quite simple: a soft, silver-white metal called lithium. This landlocked country of 9 million people, which is the poorest in South America, has the world's largest reserves of a mineral that could become one of the most sought-after of the century. It's needed to make the batteries that will power the electric car revolution that many are waiting for, particularly in China.

But the Movimiento al Socialismo (MAS) has been in government since 2005 and it is pioneering a new development model, which, if successful, could become the norm across the developing world. What may worry multinational mining companies and their backers is that it takes no heed of the International Monetary Fund (IMF) and World Bank orthodoxy, which has traditionally advocated minimal regulation on foreign direct investment. "I know that they are in some discussions with France, Korea and Japan about working in Bolivia to develop lithium, but we don't want to be only raw material exporters. We want to create added value in the country," said Ambassador Maria Beatriz Souviron, as she sat in the Bolivian embassy in Eaton Square. By "added value" Ms Souviron means building factories in Bolivia to manufacture the batteries within the country, rather than sending the metals abroad once they are out of the ground. It's an idea that has an increasing number of proponents all over the world of emerging markets. In an interview in 2011, Nigeria's State Commissioner for Agriculture and Natural Resources, Akin Akinnigbagbe, said of his country's cocoa exports: "We are equally embarking on what I will call value addition to the business of cocoa. This will take the form of processing it at home before selling into the international market. This will equally assist the farmers to get higher profit unlike in the past, when cocoa beans are exported directly to the international market; with the farmers having no control on the

price.”<sup>3</sup> It could mean a harder time for western companies. “The policy of my government is to retain sovereignty over the investments made in the country,” said Souviron. “So if the people that want to invest in my country and follow that rule of value-added, then it’s fine. If not we’ll do it ourselves.” And the challenge to orthodox development models has so far been a success. The Bolivian government has managed to run a current account surplus of 12.1 percent of GDP in 2007, 11.6 percent in 2008, and 3.4 percent in 2009 as the government spent to keep the country from recession. Along with Venezuela and Argentina, Bolivia was the only country in the whole of Latin America and the Caribbean to be forecast a current account surplus by the IMF in 2010. So far the Morales administration has “inked” a Memorandum of Understanding with the South Koreans to develop the lithium after the president was happy with Korea’s “efforts to use clean technology” and its willingness to abide by the new endogenous growth model Bolivia is seeking.

The advent of the Chinese is also changing how business is done. The miner Bellzone, for example, agreed a deal with China for investment in its iron ore project in Guinea that stipulated funding infrastructure in return for mineral supplies. The iron ore project at Kalia in the West African country is substantial. It has a defined resource of 2.4 billion tonnes and the company is aiming for 50 million tonnes of production a year. With an eye on its insatiable appetite for steel, the China International Fund (CIF) agreed to spend about \$3 billion on building the infrastructure needed for the project. Chinese companies are increasingly offering to build transport and energy infrastructure for mining companies in return for deals to buy the minerals produced, or off-take agreements. “It’s a new form of pragmatism,” Tim Williams, analyst at Ernst & Young, told me. “They don’t want to bother with

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3 “Nigeria: ‘We want to add value to our cocoa’”, *All Africa*, February 25, 2010, <http://allafrica.com/stories/201002251272.html>

outright control, so they won't buy a majority stake, but will plough money into infrastructure." He added: "You've got companies with good assets but no money and no project finance. Most of the equity markets are still weak, so they have to look at something else." The Bolivians have gone into projects with the Chinese, reporting that they treat them like equals, in a way the Americans never have done.

In recent years, the owners of the mining industry have invented a curious language. When a country decides that its own people, instead of a foreign company, should profit from the minerals under their own ground at a fair price, foreign companies call this "resource nationalism", a pejorative term. I spoke to African Consolidated Resource (ACR) – a miner working in Zimbabwe – which had its mining license in the country's Marange diamond fields finally cancelled by the mining secretary, Thankful Musukutwa, after months of a protracted legal process. "We actually won in the High Court, which said our license was good in September," Roy Tucker, chief financial officer at ACR, told me. "But the government appealed to the Supreme Court, who have said nothing should be mined." The government invoked the Mine and Minerals Act which stipulates that certain lands are reserved against prospecting. "It's unconnected to the court case," said Mr Tucker. "They've proposed new grounds for cancellation, they suddenly discovered the ground where the license is, which was reserved against prospecting, apparently. The obvious suspicion is that something has been changed in the records." ACR and other companies operating in Zimbabwe were also up against a new law proposed by Robert Mugabe and his Zanu-PF party which will give the country a majority stake in any foreign company operating assets in Zimbabwe. For the foreign capitalists this was too much; they wanted it to be like Haiti where they had won and Haitians were forced into a minority stake in their industries – by law. "By some date in April companies are asked to submit plans so that 51 percent of the company is

held in indigenous hands within five years, so we have to submit a plan,” said Mr Tucker, seriously agitated.

In South Africa, parts of the ruling African National Congress (ANC) government have been making statements about the nationalization of the mining industry since the end of apartheid, as was promised in the ANC’s famous and noble Freedom Charter. When I was in South Africa, Julius Malema, then president of the ANC Youth League, was saying that nationalization of the mining industry was now a strong priority, and it should be. Unfortunately, economic apartheid was never taken on in South Africa. “We are aware that there are efforts to topple and replace liberation movements with puppet governments ... who exploit the minerals of Africa,” he said.

At the 2010 Mining Indaba – the most important resources conference in Africa – the mining minister, Susan Shabangu, felt compelled to tell the gathered mining industry – rich white men in suits – in no uncertain terms “there will be no nationalization of the mines in my lifetime”. The people who had so much to gain from this imperialism trotted out the usual arguments. “Nationalization of mines has never worked anywhere in the world and there is no evidence for it to work in South Africa,” David Nel, chief executive of Strategic Natural Resources, a coal miner working in South Africa, told me. “The South African GDP is significantly dependent on revenue earned from mining and the foreign investment this brings to South Africa; the disinvestment in South Africa would be catastrophic.” But what if they nationalized the mines and put them under South African control? What if the profits were repatriated not to London and New York but were invested in the schools of Soweto and Johannesburg? *Impossible*, they said. Even talk of imposing fairer royalty and tax agreements sparked the ire of the foreign companies. Most of the real action took place outside the convention center, where access to talks and company

## THE RACKET

exhibits cost a cool \$1,500. Decadent parties were thrown in bars and mansions around Cape Town by PR companies, investment banks and brokerages, all seeking new clients and trying to upstage each other as to who could put on the most spectacular show. Against this backdrop, the mining industry tried to manipulate political forces. One of the conference's biggest themes, for example, was investor security in Africa. All the big African economies sent ministerial delegations to give talks and assuage investor fears, telling them how wonderfully they would be treated. They were trying to avoid things like the Nigerian government's 2012 Petroleum Industry Bill, which attempts to reform the lucrative oil sector by allowing the government to bring down the profits of foreign companies and impose more stringent taxes and royalties. The usual suspects were apoplectic in that case: independence and sovereignty for poor countries is incompatible with how the racket functions. However, if somehow they "lose" a country to independence, the racket turns to the enforcement stage, which is a central part of the criminal enterprise they oversee.

**PART TWO**

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**ENFORCEMENT**



# FIVE

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# THE MOB

## YOUR FRIENDLY, LOCAL TYPES

In 1945 there was a genuine desire among the victors of World War II to devise an international political system that would ensure there would be no third world war. As the Nuremberg Trials drew to a close, a host of international laws were drawn up with this purpose in mind. The Geneva Conventions and the Universal Declaration of Human Rights, among others, were designed to give “rules of play” to war and enshrine certain inalienable rights for the whole of humanity. At the time many looked ruefully at the League of Nations which had been so ineffective in arbitrating Great Power conflict in the inter-war period, between 1918 and 1939. Memories of the gratuitously harsh Treaty of Versailles in 1919, which many still maintain led indirectly to the rise of Nazi Germany, played on the minds of planners. The need to get the post-war institutional structure right was paramount. The most important political and diplomatic institution set up at this point to rectify the mistakes of the past was the United Nations. There was lofty rhetoric about a “new paradigm” of cordial relations between the hitherto hostile powers. Some intellectuals of the time, such as Dexter Perkins, believed the UN was an example of noble “self-abnegation on the part of a



great power”, because it “bound the United States to accept decisions that might run counter to the judgment of Washington”. For Perkins, this was proof that the United States had gone far to demonstrate its willingness to “submit its own policies to the collective opinion of states inferior to itself from the point of view of physical power”. But scrutiny of the composition of the nascent United Nations reveals the lengths that the great powers, led by the US, had gone to in their effort to *consolidate* their grip on power, not truncate it.

The UN was created as three separate legislative bodies, and the format devised in 1945 exists today without significant reform. The General Assembly is a forum to discuss issues related to international law and those pertaining to the functioning of the UN. Compared to the International Monetary Fund (IMF) and the World Bank, its democratic credentials are luminous: it runs on a one-country, one-vote basis and needs two-thirds of the house to support a motion for it to be passed. Its sister institution, the Economic and Social Council, assists the General Assembly with economic and social dealings. It has 54 members, all chosen by the General Assembly. The most important body in the UN (and incidentally the most susceptible to corruption and manipulation) is the Security Council where all the most pressing international issues relating to “war and peace” are discussed and voted on. It was created in 1945 with five permanent members: the US, Britain, France, Russia and China. It has another 10 rotating members who serve two-year terms. The power of the Security Council derives from the fact that it can make member states enforce the UN Charter (which incidentally is broken by the US on a near daily basis with threats against foreign countries).

The crucial qualification was, and still is, that any of the permanent members of the UN Security Council have the power to unilaterally veto a prospective resolution. In 1945 this gave executive power to

three western imperial powers – the United States, Britain and France – alongside another eastern imperial power, Soviet Russia. Arch-conservative Republican senator Arthur Vandenberg wrote in his diary in 1945 about the newly formed UN: “The striking thing about it is that it is so conservative from a nationalist standpoint. It is based virtually on a four-power alliance ... This is anything but a wild-eyed internationalist dream of a world State ... I am deeply impressed (and surprised) to find [Cordell] Hull so carefully guarding our American veto in his scheme of things.”<sup>1</sup> The historian Ellen Meiskins Wood goes further, stating that the UN’s “very existence” was geared toward “discouraging forms of international organization less congenial to the dominant powers”.<sup>2</sup> The undemocratic nature of the Security Council would seem to support Wood’s thesis, even though some historians argue that at the end of World War II the necessity of a rapprochement between the Great Powers was greater than any idealistic commitment to democracy.

Regardless of the historical contingencies and the original intent of the US planners, the treatment of the UN over the next 50 years certainly indicates that the institutional framework laid down in 1945 was consciously left open to manipulation. From its inception, the UN has enabled the US to enforce its own foreign policy objectives with a veneer of international support. Because of its legitimacy in the eyes of the international community, the UN is a part of the US effort to legitimate foreign wars in the eyes of its citizens (and its allies). When I spoke to the then British Foreign Secretary Jack Straw, he was keen to repeatedly point to the pretext of UN resolutions when discussing the 2003 US/UK war in Iraq. “Look, we went into Iraq on the basis of United Nations resolutions,” he told me at the Foreign Office on Whitehall

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<sup>1</sup> Quoted in Howard Zinn, *A People’s History of the United States*, HarperCollins, chapter 16. Available at [www.historyisaweapon.com/defcon1/zinnpeopleswar.html](http://www.historyisaweapon.com/defcon1/zinnpeopleswar.html)

<sup>2</sup> Ellen Meiskins Wood (2003) *Empire of Capital*, Verso, p. 132.

in London. “Now, you can argue about whether we needed another resolution but there were about 15 resolutions already there. And they were very special circumstances. And Iraq would not have been caught up in all this trouble if it had not had a nuclear weapons program, a chemical weapons program, and a biological weapons program.”

The US was held in check somewhat by the Soviet Union which had similar objectives throughout the Cold War. With the decline of the Soviet Union and the move to a unipolar international arrangement, American domination lost all inhibitions. There was also a marked change in the 1960s and 1970s when decolonization put many developing countries outside the sphere of influence of the US. This change is spelled out by former member of the Reagan–Bush State Department and now historian, Francis Fukuyama. He states quite openly and without sorrow that the UN has become “perfectly serviceable as an instrument of American unilateralism and indeed may be the primary mechanism through which unilateralism will be exercised in the future”.<sup>3</sup> The UN also wrestles with the fact that the US has always been a large financial donor to the institution and so its very survival relies on it. The US was donating \$2.4 billion by the end of the 20th century, which comprised 25 percent of the whole UN budget. When I asked the historian Michael Mann whether he thought the UN had become a rubber stamp for US policies he alluded to this fundamental flaw with the UN structure, saying that while there was “some negotiations” it was inevitably “around American leadership and that is how American politicians would see it, both moderate Republicans and Democrats. After all, what can Europe do? If you want some kind of action somewhere in the world, a Rwanda or Sudan, what can Europe do? It can’t point a thousand troops in any single

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3 Quoted in Noam Chomsky (2003) *Hegemony or Survival: America’s Quest for Global Dominance*, Metropolitan Books.

direction. The only power that can is the US, especially if logistical capacity is needed.”

The method used for maintaining primacy over the United Nations has primarily been the use of foreign aid. Available statistics demonstrate the corollary between US aid and votes at the United Nations – basically the US grants aid money when certain countries guarantee to vote in line with the US at the UN (and other multilateral bodies). For example, the airport in Haiti’s capital Port-au-Prince was built by the US in exchange for the dictator of the time supporting the US in opposing Cuba’s entry into the Organization of American States. J. Brian Atwood, the administrator of the US Agency for International Development (USAID), told Congress in March 1998: “In many respects, [the foreign aid budget] is a bare-boned and balanced approach to development and humanitarian programs that will significantly contribute to achieving the administration’s foreign policy objectives.” If votes can’t be bought, the US will veto. It has, by far, the highest veto record of any power on the Security Council in the period since the 1960s. It has consistently blocked resolutions calling on states to observe international law. Behind the US is Britain, with France and Russia far behind. Even when it does not block resolutions it will water them down or keep matters off the agenda entirely. The 1999 war in Kosovo did not pass through the UN at all, for example. But the US and its satrap, the UK, as mentioned, use the UN to legitimate their imperialism to this day. “Do you think the British or American troops being in Iraq is exacerbating the situation?” I asked Mr Straw in 2006 when he was Foreign Secretary. “No,” he replied. “We’re there now under a United Nations mandate and we’re there on a time limited basis. The mandate will run out at the end of this year unless renewed. More particularly, we’re only there as long as the Iraqi government – elected – says we should be there. And what we and the Americans and the other coalition partners are seeking to do is

to build up the Iraqi forces so that we can then draw down our forces on a province by province basis.” That was standard racket-speech: of course, we were only there at the request of a government. The fine print is important, though: we happened to install this government.

If all these methods fail, then the next step is to try to discredit the UN and accuse it of anti-Americanism and being anachronistic and out-of-touch. So when the US attacked Grenada in 1983, despite the disapproval of the UN, President Ronald Reagan said: “One hundred nations in the UN have not agreed with us on just about everything that’s come before them, where we’re involved, and it didn’t upset my breakfast at all.”<sup>4</sup> When I spoke to the hawkish historian Andrew Roberts and asked him about the UN’s conduct during the “Iraq crisis” in early 2003, he parroted the American president and poured scorn on the UN. “What astonished me,” he said, “was the way in which many in America and the British Isles seemed to assume that no war could be legitimate unless it had the sanction of the United Nations Security Council. When one looks at the United Nations Security Council – countries like [rotating member] Cameroon sitting on there. The idea that we should have our freedom of action circumvented by a bunch of kleptocracies in Africa is an absolute absurdity. Of course they are going to vote against the extension of democracy – that’s not in their interests. We fortunately, back in 1982 when the Falklands were invaded, didn’t give a toss what the UN thought – as it turned out the UN were on our side. But we would have still gone ahead with the action come what may.” Such disdain for the UN is common among the racketeers (when it does not vote their way). But most of the time, the UN and similar multilateral institutions act as a neo-imperialist system in which you do not have colonies but you have client states; these are tied to the US

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4 Quoted in Francis X. Clines, “It was a rescue mission, says Reagan”, *New York Times*, November 4, 1983.

by military interchanges and loans made with the IMF or World Bank. Poor countries are tied into a system of *loose dependency*.

## LET US HELP YOU

Without fail, aid programs are defined as altruistic. The so-called Truman Doctrine, coming as a response to perceived aggression from the Soviet Union in the Middle East, is exemplary. Attitudes towards the Soviet Union had been mixed in 1945. Eric Johnston, president of the US Chamber of Commerce, went so far as to say: “Russia will be our, if not our biggest, at least our most eager consumer.” There was a hope on the part of what Walter LaFeber calls “The Big Three” – Russia, the US and Britain – that they could put together a world order that relied heavily on them. The hope was short-lived as the US became more and more suspicious of the Soviet Union and the perceived advances it was making into Western Europe. President Harry Truman said privately in 1945, “Our agreements with the Soviet Union [have been] a one-way street”, and concluded somewhat undiplomatically that the Soviet Union “could go to hell”.<sup>5</sup> Eventually, a political program, christened “containment” by the influential State Department official George F. Kennan, was put in place. Its main function was to stop the march of communist forces that had achieved varying success in Turkey and Greece and various Arab countries. According to Kennan, whose sentiments were exposed in a “top secret” telegram sent to Washington from Moscow in February 1946, “Nothing short of complete disarmament, delivery of our air and naval forces to Russia and resigning of powers to American Communists” would placate Josef

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<sup>5</sup> Quoted in William Henry Chafe (2003) *The Unfinished Journey: America Since World War II*, Oxford University Press, p. 56.

Stalin's "baleful misgivings".<sup>6</sup> Truman delivered his seminal address to a joint session of both houses of the Congress on March 12, 1947. "It must be the policy of the United States," he said, "to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressures." Those "outside pressures" were strongly spelled out in the National Security Council's Report 68 from 1950, which read: "The Soviet Union, unlike previous aspirants to hegemony, is animated by a new fanatic faith, antithetical to our own, and seeks to impose its absolute authority over the rest of the world ... The issues that face us are momentous, involving the fulfillment or destruction not only of this Republic but of civilization itself." Truman's doctrine allowed for military and economic help to any regime deemed to be defending "civilization" against the "fanatic faith". It also, more quietly, legitimated giving succor to any resistant element in foreign countries that had shown themselves to be intent on the "destruction ... of civilization itself"; ergo, any country with a planned economic model not conducive to American corporate interests. This ideology became the pretext for many of the battles America fought for the next 50 years. The conservative historian Samuel P. Huntington wrote: "You have to sell [intervention or other military action] in such a way as to create the misimpression that it is the Soviet Union that you are fighting. That is what the United States has done ever since the Truman Doctrine."<sup>7</sup>

The Middle East itself before 1945 was largely under the remit of the British empire, alongside other imperial powers such as France. As the empires of Western Europe gradually crumbled after World War II, the United States took up the mantle and borrowed many

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6 Quoted in Greg Behrman (2007) *The Most Noble Adventure: The Marshall Plan and the Time When America Helped Save Europe*, Free Press, p. 21.

7 Quoted in Noam Chomsky (1999) *Profit Over People: Neoliberalism and Global Order*, Seven Stories Press, p. 140.

of the techniques of imperial control pioneered by the British – divide and rule being its favored tactic. This area of the world was of particular importance to US planners because it had the biggest reserves of natural oil in the world. The State Department in 1945 explicitly called Saudi Arabia – with overtones for the whole region – “a stupendous source of strategic power, and one of the greatest material prizes in world history”.<sup>8</sup> The Americans picked up where the British left off. Strategic alliances were made with compliant states that became virtual vassals of the American superpower. Any state deemed to be taking the line of “independent nationalism” – a term applied to any regime whose leaders did not cede to all the dictates of US economic policy – was the target of subversion (political and economic). When he was Mayor of London, I spoke to Ken Livingstone, who by then had been strolling through the corridors of power for 30 years. He told me: “You’ve had 80 years of Britain and America and France intervening in Arab and Muslim countries – always around the issue of control of oil.”

The overthrow of President Mohammad Mosaddeq in Iran in 1954 is an illuminating case because it shows very clearly the priorities of American political policy in the region, as well as marking the unofficial handover of power in the Middle East from the UK to the US. Mosaddeq himself was the head of a parliamentary democracy that, according to the prevailing ideology, should have made him a “friend” of America. He was also a “fervent nationalist” who had renationalized the country’s oil that had hitherto been under the control of the British-run Anglo-Iranian Oil Company (originally the Anglo-Persian Oil company). The coup that overthrew Mosaddeq was a joint US–British machination, which demonstrates the overlap of

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<sup>8</sup> Quoted in Noam Chomsky, “A modest proposal”, *Znet*, December 3, 2002.



the two imperial strategies. Up until Mosaddeq's attempts to divert the oil resources of his country back to his people, the Anglo-Iranian Oil Company had allowed Iran only about 20 percent of the profits from its own oil. When Mosaddeq threatened the economic interests of the US and Britain, he put his own survival in jeopardy. On top of the economic interest, the threat of communist Russia "was palpable". The Russians had actually occupied parts of northern Iran at the conclusion of World War II and procured an oil concession in the area. There was concern among US planners that Mosaddeq was becoming "dangerously dependent" on Iran's communist party, the Tudeh. With the twin threats of "economic independence" and "Soviet Russia" on the horizon, the CIA, along with its British counterparts, arranged a coup. CIA agents solicited support on the streets of Iran, concentrating specifically on the military, and bribed a large portion of the establishment into acquiescence. After massive street demonstrations that threw the city into chaos, Mosaddeq was arrested and the Shah was put back on his throne. Owing to the vital role played by the CIA in bringing down Mosaddeq, the British now gave them a percentage of the oil revenue from Iran. Parroting the ideological pieties derived from the Truman Doctrine, John Foster Dulles, the Secretary of State in President Eisenhower's administration, exulted in a victory over a "Communist-dominated regime". A version closer to the truth is explicated by one historian who wrote that, knowing "almost nothing about Iran", they installed a Shah who "would always seem beholden to the United States".<sup>9</sup>

America has been careful and brutal in its choice of allies from the end of World War II. Many alliances have been short-lived and based on a realpolitik geopolitical relationship – Saddam Hussein in

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9 Quoted in Walter LaFeber (1989) *The American Age: US Foreign Policy at Home and Abroad 1750 to the Present*, WW Norton, p. 546.

the 1970s and 80s, for example – but the alliances with a number of other countries have been more durable. I am going to discuss here the “special relationships” with Britain and Israel because they have had the most political importance within the “international community”. Since 1945 it has been said that Britain has a “special relationship” with the US. Jack Straw, the then UK Foreign Secretary, told me that he preferred the term “close relationship”: “I’ve always thought – I mean, clearly people talk about ‘special relationship’ – I always think ‘special relationship’ sounds rather exclusive. Plenty of countries have a close relationship with the United States. It’s a different relationship from that that we have with other countries but so is our relationship with France or Germany. The crucial thing about the US is that, first of all, there’s this very strong historic tie. There’s the fact that we have depended on them for victory in two world wars. That the world is, no question, safer if we’re working together than if we’re working against each other. And the fact that they account for a quarter of the world’s economic activity and, rather more than that, of the world’s scientific innovation. So you’d have to be nuts not to try and develop a close relationship with the United States.”

But Straw’s perception is not entirely accurate because nearly every British prime minister since World War II has been seduced by this idea of a “special relationship”. On only one occasion since 1945 has a British prime minister refused to support the United States in its forays abroad. This was during the Vietnam War in the 1960s when the Labour premier Harold Wilson refused to send even a token dispatch of troops. On this occasion the uproar among American policy-makers was indicative of the role they saw Britain providing for US foreign policy. “Be British!” exclaimed one American official when the foreign secretary George Brown went to Washington in January 1968. “How can you betray us?” Clare Short MP, erstwhile member of the British cabinet, told

me: “Every single post-war prime minister of both parties – apart from Edward Heath – has been obsessed with the special relationship as the centerpiece of British foreign policy. And I think this is a pathetic, ‘lost after empire we never found a role’ way of thinking. If the PM of Britain can pick up the phone – for example, Harold Macmillan would talk to President Kennedy during the Cuban Missile Crisis and give him a bit of advice and then he thought he was an actor in this world drama. And it’s pathetic but it’s core thinking about Britain’s role in the world. I mean, out of the Iraq crisis the country needs to stop that. Not that we fall out with the US but that we are not a lapdog, that we try to build a new multilateral order and use all our relationship to construct what is needed in these times. It’s really interesting that Heath was fixated on getting the support of the unions so he didn’t do it.” The relationship is of particular import for the Americans because Britain has also played the “mediating role between the US and Europe”. In international organizations and political dogfights – which have been frequent between the US and other Western European countries – the UK has always supported and backed the United States. Because Britain has a permanent seat on the UN Security Council, this unflinching support has proved important to successive administrations. There is also an army of British intellectuals and journalists who set the ideological ground for the US to maraud around the world with its British poodle in the background. But it is unclear what the British get out of this relationship, apart from places for its soldiers to die. Other allies of the US at least get weapons of mass destruction to discipline their population or neighbors. Israel, for example, has used generous US aid for decades to discipline the Palestinians, the displaced indigenous people whose territory it has occupied for nearly 70 years.

# SIX

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## WITH FRIENDS LIKE THESE

### SHEIKH JARRAH, PALESTINE

In a small house in the hills of East Jerusalem, I witnessed a microcosm of the slow-burn murder of a people. No American who reads the mainstream newspapers or watches the corporate TV news would have had any idea this was happening. But seeing it upfront there was no way to dispute the huge crime that was being perpetrated with American taxpayers' dollars and diplomatic support.

I spent a week sleeping on the floor in the home of the Hanoun family – a husband and wife and their three children, all Palestinian. I was there with the International Solidarity Movement (ISM) – a brave collection of international activists who attempt to help Palestinians non-violently resist Israeli oppression. East Jerusalem was, by international law and basic morality, to be the capital of a future Palestinian state. After the Six-Day War of 1967, Israel had illegally occupied East Jerusalem, in contravention of international law, and has never left. In fact, Israel was working to take it all. At the time of writing, in August 2014, the Israelis have killed more than 2,000 Palestinians in

## THE RACKET

Gaza, the vast majority civilians. There is talk in the mainstream Israeli media about depopulating Gaza and turning it into an Israeli tourist attraction. But during the time I was there the most pressing of the many issues were the attempts by an Israeli settler company to slowly cleanse East Jerusalem of its Arab population, focusing its efforts at that time on the neighborhood of Sheikh Jarrah, which sits in a beautiful valley looking out toward Bethlehem. Longer-term activists were sleeping there as well, ready to document what everyone expected would be an imminent eviction. A few months later, at 5.30am, the Israeli border police did come and forcibly evict the Hanouns (so forcibly that the son Rami had to be taken to hospital). The activists were arrested, as were protesters who subsequently took to the streets. The Hanouns were offered a tent by the Red Cross. It was the culmination of a decade-long program of intimidation and harassment of the Sheikh Jarrah community that had seen lives destroyed to appease the most rancid kind of religious zealotry.

Sheikh Jarrah is situated in a valley down from the American Colony Hotel where Tony Blair, former British prime minister and possibly the most willing servant of the American racket in the world, was staying in a luxury suite when he graced Jerusalem with his presence as the racket's "Peace Envoy". When you looked out of the Hanouns' window, Blair's hotel was 30m away; Blair, I had no doubt, could see the Hanouns' house during his morning swim. Before I contacted his spokesperson, Blair had nothing to say about the evictions, and he said nothing in the aftermath. That was one side of the valley. On the other, the British consulate peered down from its high security peak. The British consulate had been only slightly better, calling the latest eviction "appalling", but had done nothing tangible to halt this obscenity. The US silence was even louder. The Hanoun family, like so many Palestinians, had been the victims of terror for decades as

they fought off Israel's attempts to take their homes. Maher Hanoun, who continued to lead the resistance, spoke to me with eloquence and calm as he chain-smoked his way through the evenings and recounted what had befallen his family. Maher's father was a refugee from the Nakba, or "the Catastrophe", as Palestinians call the founding of Israel in 1948 when gangs of Jewish paramilitaries expelled 800,000 Palestinians violently from their homes. Maher's father was forced out of Nablus; his grandfather was forced out of Haifa at the same time. The Jordanian government gave them the houses in East Jerusalem in 1956 as compensation and transferred the ownership to them in 1962. Maher was born in 1958 so had spent his whole life, and brought up all his children, in his home. The Israeli settler company, Nahalat Shimon, backed by the Israeli courts, used a forged century-old Ottoman-era contract to claim ownership. Like all over East Jerusalem, the Israelis also tried to bribe Maher with an open check, if he would go quietly. He refused. "This is my home," he told me. "I would never respect myself if I sold my home for money. They want to build a settlement on our hearts, on our dreams." In the end, they succeeded.

The Israelis' tactics were what Maher calls "slow torture", and included arrests, bribery and violence. In 1998, after Maher refused to start paying rent to settlers, soldiers came to his house while his mother was very ill with leukemia and took all their furniture, including the bed. Maher had pleaded with them to leave it so his mother could die peacefully. In 2002, the Israelis succeeded and eventually kicked the Hanouns out for four years, before they returned in 2006; in 2002 his two girls were 9 and 13 years old. Across the way, and in the sightline of Mr Blair and the British consulate, there was a makeshift tent where a 62-year-old woman was now living after settlers took over her house. Initially they only took two parts of her house so she was literally living next to them. Then she was kicked out. Her husband had a heart attack

when the Israelis violently repossessed their house with the help of over 50 soldiers (on the night of Barack Obama's 2008 election victory). After spending some time in hospital, her husband had another attack two weeks later and died. The family again refused a bribe of an open check – in the millions of dollars – from the Israelis to leave their homes. “I don't have a life now,” she told me from her tent. “With my husband and house gone, there is no life. I just hope with the help of God that this occupation will stop and we can return to our homes.” I never could find out what happened to this woman in the violent eviction by Israeli forces, but one report I read said even her tent had been destroyed.

I walked from Sheikh Jarrah to the British consulate (it took about five minutes) and asked Karen McLuskie, the spokesperson, what the British line was on the ethnic cleansing of what is meant to be the future capital of Palestine. “The British position is that Jerusalem has to be the shared capital of two states,” she told me. “I think what is happening in Sheikh Jarrah is not unique, sadly. There are a number of sites around Jerusalem where these kinds of actions are taking place – demolitions, evictions and settlement encouragement.” She specifically declined to comment on what the British government is actually doing to stop this illegal and inhuman destruction of Sheikh Jarrah. Ms McLuskie did concede, however, that: “The annexation of Jerusalem simply makes it harder to reach a peace deal, it simply cuts off the options.” After I contacted Blair's spokesperson I was told that “Blair has raised the issue with the Israeli government”, and that “it remains an issue of concern”. I asked if Mr Blair would make the three-minute walk down to the Hanouns' to talk to them about their predicament, to which the spokesperson assured me: “Staff from his office have previously visited families who have been evicted.” Notice the past tense. Maybe when the Hanouns had actually been evicted, Blair would send an emissary to their tent. The Americans refused to give an interview.

When you look around East Jerusalem and the surrounding area, there are considerable plots of land without homes. If Israel wanted to (illegally) build new settlements without kicking out Palestinians in the area they could, there is space. The targeting of Sheikh Jarrah and other areas is a process of ethnic cleansing, the transformation of East Jerusalem into a unified Jewish Jerusalem. As Maher asked, “Why can’t they build a settlement on any other bit of land?” The one good thing about the Netanyahu–Lieberman administration, which was in power at the time, was that they were much more honest about their colonization program than their “centrist” predecessors. The Netanyahu administration was now willing to get rid of some “outposts” in return for continued expansion in East Jerusalem and “natural growth” in existing settlements throughout the West Bank. That was the same policy negotiated by Ehud Olmert and George W. Bush before the Annapolis conference in 2007. Netanyahu was just more honest in saying that it obviates the possibility of a Palestinian state. “I can’t see how we can have a capital if there is no land, no houses, no people,” agreed Maher.

The next stop in this attempt to cleanse the putative future capital of Palestine of its indigenous population was the al-Bustan area of Silwan, which sits in the valley down from the Dome of the Rock and the Western Wall. When I first arrived in Israel I went on the City of David tour, which functions as a three-hour Israeli propaganda extravaganza (dressed up as an archeological experience). King David in biblical lore is said to have been the first Jewish leader to settle the land in Jerusalem and his son King Solomon is said to have built the First Temple in the 960BC. In 2005, some archeological finds purported to provide evidence that supported this. Now the Israeli government was planning to turn the homes of the people of Silwan into an archeological theme park: 88 dwellings were due for demolition, home to about 1,500 Palestinians. At the end of the tour we went



## THE RACKET

through the waterway that was built to connect the Old City to the spring outside the city walls. When I came out at the end of the tour, I didn't realize that the spring was located in Silwan. A few days later I went to the tent where the residents of al-Bustan were mobilizing against the destruction of their homes and realized, while watching the tourists being bussed back up the hill to the "City of David", where I had actually been. Again, as in Sheikh Jarrah, the people were defiant. "If they demolish my home, they will have to demolish my body too, I will die for my land," said Zaid Ziulany, 54, who lived with his family in house "38" which was due for demolition. "Where are we meant to go?" he asked. "Should we all just sleep on the street?"

## THE PATRON

Israel is – by any definition of international law – a rogue, terrorist state that practices colonial policies and serial war crimes against the Palestinians and has done so for decades, all supported by US taxpayers. There is no shortage of evidence that can be produced to support this claim. Having been initially turfed out of their homes in 1948 to make way for the nascent Jewish State, Palestinians have since lived in the meager strips of land afforded them by Israel and the surrounding Arab states: the Gaza Strip and the West Bank. Since then, any Jewish person who can prove their racial heritage has been entitled to settle in the Land of Israel while no Palestinian who was made a refugee in 1948 can go back to their home. This creates the insane scenario where I, owing to my Jewish heritage, can go to live in a place I have never really seen and have no connection to, whereas the estimated 4 million Palestinians living in refugee communities scattered around the Middle East, who were born and grew up in Palestine but had to flee in 1948 or 1967, cannot. Moshe Dayan, who was eventually Israel's "Defense"

Minister, told the Palestinians: “You shall continue to live like dogs, and whoever wishes may leave, and we will see where this process leads.” The same philosophy still prevails among Israeli elites. Since June 1967 when Israel fought a group of Arab states in the Six-Day War, Israel has occupied and built settlements that eat into the West Bank and the Gaza Strip. The settlements in Gaza were withdrawn in 2006, and the Israelis turned to a medieval siege to maintain control of the population. All of this is in contradiction of international law – Israel has been condemned by the UN repeatedly for its transgressions. The Security Council adopted UN Security Council Resolution 242 unanimously in 1967 in the aftermath of the Six-Day War. Adopted under Chapter VI of the United Nations Charter, it calls for the “withdrawal of Israeli armed forces from territories occupied in the recent conflict” and the “termination of all claims or states of belligerency”. This still hasn’t happened to this day: the mob doesn’t have to abide by the law it sets for everyone else. Incidentally, the United States has vetoed all the subsequent resolutions brought against its client – that amounts to about 40 vetoes since 1972, all of which blocked votes unanimously supported by the other powers on the Security Council. It is these incursions into Palestinian land that motivate the violence and suicide bombing perpetrated by the Palestinian resistance and is at the root of all the international opprobrium directed toward Israel. But it has been Israeli state policy for the last 48 years to *sacrifice security for expansion* in the Occupied Territories.

The US propaganda runs that the Palestinians have been offered the West Bank and Gaza many times and rejected it. From the Oslo Accords in 1993 to the Camp David Summit in 2000, this is simply not true. The Palestinians have consistently been offered a deal which breaks up the West Bank into small, South African-style Bantustans with the right of return always denied. The one time a deal was struck

with something resembling a fair final settlement – at Taba, Egypt in 2001 – the Israelis pulled out. In fact, in 2002 after a trip to the West Bank, the great South African freedom fighter and Nobel Laureate Archbishop Desmond Tutu compared the treatment of Palestinians under Israeli occupation with the treatment of blacks under the South African apartheid regime. “I’ve been very deeply distressed in my visit to the Holy Land; it reminded me so much of what happened to us blacks in South Africa,” he said. “I have seen the humiliation of the Palestinians at checkpoints and roadblocks. They suffer like us when young white police officers prevented us from moving about. They seemed to derive so much joy from our humiliation.” Israel has also built a “Security Wall” through the West Bank, again in contradiction of international law. The World Court at the Hague has said that “Israel is under an obligation to terminate its breaches of international law; it is under an obligation to cease forthwith the works of construction of the wall being built in the occupied Palestinian territory, including in and around East Jerusalem, to dismantle forthwith the structure therein situated”. It never did.

There is, in fact, no great controversy over the main historical points at issue, and the conclusions that one should draw are simple. The situation is often obfuscated and blurred by the Israeli side to distract neutrals from the glaring, incandescent truth that the Palestinians are involved in one of the last colonial struggles left over from the 20th century. Norman Finkelstein, a scholar of US–Israeli relations, says that the Israel–Palestine conflict is “remarkably uncomplicated”. “The stark truth is an unpleasant truth,” he told me. “And so the pretext is that what we see and what seems so stark, the claim is, that actually isn’t the case and so it’s supposed to make you question your most elementary, your most basic moral judgment and sensibility.” That the occupation of other people’s land is wrong? “An occupation is wrong,

building a wall around these people is wrong, shooting children for throwing stones is wrong, stealing people's land is wrong – that's not very complicated at all."

"They're making profit on the occupation," Jihad al-Wazir, Palestine's central bank governor, told me when I interviewed him for the *FT* in New York. "They control the electromagnetic waves, they control the real estate, they control 60 percent of the West Bank and this is why they like the status quo and this is why they don't want to have a Palestinian state because it's nice the way things are. They've taken land and people are not fighting them." Despite this obvious injustice, Israel remains the "third rail" in US political discourse because of the huge financing of the lobby that supports it. When I was at Columbia Journalism School my professor, who worked at the *New Yorker*, told me outright when I mentioned I wanted to do a piece critical of Israel not to do it. His words were: "Do it if you want, but criticizing Israel in the US is like railing against Mother Teresa: you'll never work in the American media."

The US alliance with Israel did not become economically or politically significant until the 1960s and 70s. Mr Finkelstein told me that "no one in America even cared about Israel for the first 20 years of its existence." What changed was the decline in the efficacy of the "Arab façade" whereby control of much of the Middle East could be exerted behind the scenes through subservient local Arab rulers. So when, for example, an Arab leader such as Gamal Abdel Nasser in Egypt turned to the Soviet Union, Israel became the perfect buffer against Arab nationalism and hopes of true independence in the Middle East. Around the time of President Nixon there was a conscious effort to buttress American power with what the Defense Secretary Melvin Laird called "local cops on the beat". The perfect "local cop" in the Middle East was the Jewish "democracy" Israel. As the CIA put it at the time: "a logical corollary" of opposition to Arab nationalism

“would be to support Israel as the only reliable pro-Western power in the Middle East”.<sup>1</sup> As the CIA was trying to destroy secular nationalism in the Middle East, ironically it was Israel and Islamic fundamentalists ( Hamas was helped out initially by Israel) who provided the perfect vehicle to do it. The burgeoning relationship between the two countries served the self-interest of both. In a controversial essay, two prominent academics, John Mearsheimer and Stephen Walt, wrote that the pro-Israel lobby in Washington benefits Israel to the detriment of the US’s own foreign policy objectives. The article caused great consternation among supporters of pro-Israel policies in the United States, but their argument was somewhat misplaced. The evidence would suggest that the relationship between the United States and Israel is much more symbiotic than Mearsheimer and Walt contend. Israel is, by far, the largest recipient of US aid presently. Since 1947 Israel has cost the US taxpayer nearly \$84,855 million, which means that the taxpayer has paid \$23,240 for every Israeli citizen alive.<sup>2</sup> This is not the result of a mystical, paranoid “Jewish lobby” or a completely anomalous foray into the politics of altruism. Israel plays a very important strategic role for the United States, one which is based primarily on political expediencies. There is the “cop on the beat” strand, but there were also concerns about the march of the Soviet Union in the Middle East. When Israel became reliant on US aid in the 1970s, its geopolitical outlook became much more western-oriented; its domestic society also became more unequal. Israel has long been the most loyal US supplicant in the Middle East and even globally. Together they supported apartheid South Africa and supplied weapons to fascist

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1 Quoted in Noam Chomsky, “The Israel-Arafat agreement”, *Z Magazine*, October 1993.

2 “U.S. financial aid to Israel: figures, facts, and impact”, *Washington Report on Middle East Affairs*, [www.wrmea.org/wrmea-archives/494-congress-a-us-aid-to-israel/9748-u-s-financial-aid-to-israel-figures-facts-and-impact.html](http://www.wrmea.org/wrmea-archives/494-congress-a-us-aid-to-israel/9748-u-s-financial-aid-to-israel-figures-facts-and-impact.html)

dictatorships in Latin America, among many other horrors. Israel also provided unflinching support for the US at the UN. The inventory of UN votes compiled by the State Department planner turned historian William Blum reveals that Israel reflexively votes with its patron on all matters, whether they are of strategic importance to Israel or not. In turn, according to Mr Finkelstein: “If you look at the record it’s Israel backed by the US who have been the obstacle to the resolution of the Middle East conflict, which the international community on the one hand and the Palestinians have supported.” Even though Israel has been condemned hundreds of times by the UN, even though it continues to occupy the West Bank and control the Gaza Strip, even though it has attacked its neighbors (Lebanon in 1982, killing 20,000), the US continues to provide support. There are evidently no conditions on the aid provided by America in terms of “good behavior”. Michael Mann, the historian, goes as far as to say: “I think Israel is actually the tail wagging the dog. Israel has more power there than the US does. It has a fifth column among the neo-cons and Zionists in the US and it can do whatever it likes.” All the US asks is that Israel remains a loyal “cop on the beat” to push US interests in the Middle East.

## CRACKS IN THE OCCUPATION

While in Palestine, I also went to the capital of the Occupied Territories, Ramallah. I could sense the fatigue in the city. The feeling I got walking around the streets was that the Palestinians are weary of the struggle against the incremental destruction of their homeland, while the world looks the other way. I heard things like: “Our struggle has been long and it has got us nowhere.” And people asked how the world could stand by while the Israelis annex more land. It was a good question.

## THE RACKET

In one village the flame of non-violent resistance still burned. I went to the weekly demonstration against the annexation wall in Bil'in, where it cuts deep into the farmland of this old Palestinian village and the Green Line (the internationally recognized border of Israel–Palestine). Since Israel started building the wall here in 2005 (stealing about 60 percent of the village's land), the people of Bil'in have been inventively and non-violently resisting. While helplessness pervades in occupied Palestine, the successful tactics of the people of Bil'in provide some hope and inspiration. Abdullah al-Rahman, the head of the Popular Resistance Committee in Bil'in, described the villagers' various tactics, which so far successfully stalled the erection of a new settlement (called West Mattiyahu in Israeli legalese, which implies that it is merely a “neighborhood” of an existing settlement). First, to oppose the wall, Bil'in's residents tied themselves to their olive trees to stop the bulldozers razing their land. Then, in sight of the settlements, they constructed a one-room house overnight on the other side of the wall, a building that became the basis for a legal challenge. The High Court slapped down their petition twice before they and their Israeli lawyer, Michael Sfard, realized Israel had made an administrative mistake under their own unfair rules. Generally the Israelis use two excuses for land-grabs: one, the land is uncultivated; and, two, there is a security threat. With Bil'in they tried both.

To maintain the interest of the media, essential to their demonstrations' success, the Popular Committee brings out new initiatives every Friday in their non-violent struggle. When I was there, at the height of the swine flu hysteria in 2009, the Bil'in residents went down for the demonstration wearing face masks to say that they had all had occupation influenza for decades. On another Friday they had a slightly less subtle but equally creative tactic of filling balloons with chicken feces to chuck at the soldiers.

While the Bil'in residents maintain their adherence to non-violence, the same can't be said for the Israeli Defense Forces (IDF). The month before I was there, an activist from the village, Bassem Ibrahim Abu Rammah, was killed by a high-velocity tear-gas canister, and one 16-year-old child I spoke to survived a live round to the head. These are definitely not "mistakes": when you shoot a high-velocity tear-gas canister horizontally and not up in the air you only have one goal. They managed to murder Bassem with a shot to the heart. This is where the chicken feces idea came from. "They shoot bullets at us, so we will respond with our animals' feces," said al-Rahman. At the demonstration hundreds of tear-gas canisters were shot at us, and rubber bullets were aimed at the children throwing stones. This Israeli tactic of harsh and violent repression has one goal: to stop Palestinian resistance through instilling fear. This is what happened during the second intifada, and it is happening again now, in 2015, as pockets of resistance are starting to form against the annexation of their land. And it works. I asked my Palestinian friend if she wanted to come with us on Friday. "No," she replied, "I don't want to die for nothing." In recent months, since the Gaza War, the IDF has started to use a new cocktail of weapons against the Bil'in demonstrators, which includes stronger military-grade tear-gas with nerve toxins, high-velocity machinegun-style tear-gas and aluminum bullets that have crippled protesters. The IDF has also made it a tactic to come into the village in the middle of the night and arrest the members of the Popular Committee, and children as young as 13, as well as throwing around sound bombs and tear-gas.

According to a farmer from Bil'in, Farhan Burnat, aged 30, who spent eight months in prison after Israeli soldiers arrested him at a Friday demonstration, the Israelis take the kids to prison in Israel and keep them for four to six months as punishment for participating in



the demonstration. In Ofer prison about 25 percent of the prisoners are children, he told me: “These lengthy periods of imprisonment severely stunt the educational development of our children.”

I went down to the wall the day before the protest and talked to Wahid Salaman, a 44-year-old farmer from Bil’in who was walking home after work. “The ability of us to get to our land depends on the mood of the soldier,” he said. “Sometimes we have to wait for five or six hours to get to our fields.” Mr Salaman’s land is on the wrong side of the wall so he has to go through a checkpoint every day to get to work. He pointed out a huge pole with a CCTV camera on top of it. “They watch us at all times as well,” he said. The Israelis assign each farmer a number corresponding to points on the wall where he is allowed to go about his work. Afterwards we spotted a young boy going through the checkpoint with his herd of goats. “I look after the goats after school for my parents,” he said. “The wall took 60 percent of our land, and as punishment for the demonstration we’re not allowed to work on Fridays.” He said that his goats had been injured by the barbwire around the wall. Like everyone in Bil’in, he said he misses his friend Bassem. “I feel very sad, but it will not stop me from doing the demonstration. We’re strong enough to continue to do it. They shot Bassem because we are achieving something here.”

The brutal behavior of the IDF at the demonstration has motivated a broad contingent of activists from around the world and Israel to descend on Bil’in every Friday – as they know the IDF will be less inclined to murder at will if they have passports belonging to the countries that give them the guns. When I was there, there was a 15-strong contingent of trade unionists, artists and charity workers from Canada, alongside a group of young Israelis. The IDF’s explicit policy is not to fire live ammunition when Israelis or internationals are in the area, which gives you an indication of their attitude to the expendability of Palestinian

life. It also makes it clear how vital it is that the brigade of internationals and Israelis continue to show up and protest peacefully alongside Palestinians. At a bleak time for Palestinians, when they were watching the live destruction of any hopes of a viable future state, the heroic and successful resistance of the people of Bil'in (and their analogues along the line of the annexation wall) provided a glimmer of hope, and a template of how to fight this epic injustice with a mixture of consistency, courage and creativity. They did it against huge odds – against one of the world's most vicious militaries, backed to the hilt by the most powerful military in the history of the world, and a global population continually lied to about the depredations of Israeli state power.

But foreigners are increasingly refusing to believe the lies they are told by their media. What I saw in Palestine was how important it is for concerned citizens to make the journey to the Occupied Territories, or any other place ruined by US imperialism, to make their presence felt. During the December–January 2008–09 Israeli attack on Gaza, the sickness that many people felt about the massacre was compounded by a feeling of helplessness. But there was a way to help out and attenuate the crimes of the occupation: what you realize in Palestine is that just having a foreign passport instantly civilizes the IDF when you are in their presence. I was, as mentioned, working with the ISM, which was set up in 2002 to bring internationals sympathetic to the Palestinian cause to witness and combat Israeli repression during the second intifada. Since then it has achieved a fair degree of infamy – like any organization that tries to protect Palestinians it has been traduced as “terrorist-supporting”, “anti-Semitic” and all the rest. There are even a couple of organizations online set up exclusively to libel and destroy the ISM: Stoptheism.com tries to expose its activists and says the ISM represents “ Hamas, and other terrorists under Yasser Arafat”; and the Committee for Accuracy in Middle East Reporting in America states that “ISM

## THE RACKET

encourages members to place themselves in dangerous situations to protect terrorists or their homes”. But after spending about an hour with the ISM in the West Bank you realize all these calumnies are baseless propaganda. From the start of my time there, I was impressed by the integrity and professionalism of the organization. The ISM runs a two-day training weekend in London, which instills in prospective volunteers the ethos of non-violence and the Palestinian-led modus operandi (i.e. everything members do has to be ratified by a Palestinian council). When you arrive in Palestine you have another two days of training, which takes you through the history of non-violent resistance in Palestine and the specifics of how to deal with violence from the IDF. When I was there I met inspirational activists from Scotland and the Czech Republic, who had spent months living with families in East Jerusalem, being illegally evicted by an Israeli settler company. This was not glamorous stuff; it was staying up all night and sleeping on a thin mattress in a single room together, day after day, month after month. I also met activists from Sweden who were manning checkpoints to make sure that no Palestinians were physically abused. I had my own experience of this on the way out of Nil’in, another Palestinian village fighting back, for the Friday demonstration against the annexation wall. I saw an IDF soldier kicking a Palestinian man at a checkpoint at the edge of this Palestinian village. I got the taxi to stop, and got out and just watched. I don’t know what effect it had, but you could see a change in the eyes of the soldiers when they saw my camera pointing their way. There was a group of activists from Italy who lived in Hebron, which is a particularly disturbing example of the occupation in the West Bank, since settlers have occupied the downtown market which is now closed because of the harassment the settlers gave the Palestinians living there. When you walk through the now-defunct market there is grating overhead, and caught in it are all sorts of projectiles, bricks and debris.

The settlers in Hebron are famous for their extremism. They celebrate the anniversary of the 1994 Hebron massacre by Baruch Goldstein, and the presence of the 500 of them in Hebron makes downtown a militarized zone. In Hebron, ISM volunteers escort Palestinian kids to school to protect them from the settlers, who have been known to shoot at them wildly from their rooftops. The courageous 22-year-old ISM activist Tom Hurndall was killed doing work like this in Gaza in April 2003. He was moving Palestinian children out of the line of fire of IDF snipers and was shot in the head, despite carrying international signs. Hurndall's death shone the media spotlight on the conduct of the IDF in the Occupied Territories, only because he was British – Palestinians are shot with appalling regularity. And that is why the ISM activists are so brave: they are putting their lives on the line, solely because they know they are worth more in the eyes of the IDF. It is also why the Israeli authorities try to keep out the ISM, by blacklisting anyone they suspect of being involved. Many ISMers have been slapped with a 10-year ban from entering Israel, even though the ISM is a completely legal organization in Israel.

I went to the non-violent Friday demonstrations in Bil'in and the nearby Nil'in on alternate weeks. Again the local villagers say that even though those among their ranks had been killed at an alarming rate in the past year (two in Bil'in, five in Nil'in, including a 10-year-old with a live shot to the head), it would be much worse if the internationals didn't turn up. In 2011, US citizen and ISM activist Tristan Anderson was critically wounded by a high-velocity tear-gas canister. While I was in Nil'in, the IDF was aiming right for us as we stood on the verge. The only things the IDF are up against at these demonstrations are stones in slingshots. On one Friday, a Palestinian man was killed with a live round. "We always ask internationals to please come, because

they are even more brutal when it is just us Palestinians,” said the leader of the demonstration.

There are definitely dangers to volunteering in occupied Palestine, but it is a highly effective way of helping the Palestinians resist oppression, and because of our passports those risks are a fraction of those faced by any Palestinian who raises so much as a finger of resistance. My stay was short, and I did nothing compared to the brilliant and inspirational activists – who range from teenagers to pensioners – who have spent far longer and risked far more. But it is clear that through the solidarity of internationals, Israelis and Palestinians, the occupation can be fought. There are more losses than gains, and ISM and Palestinian activists will continue to be lost, but as George Orwell concluded in his essay “Looking back on the Spanish Civil War”, during which he had fought against General Franco’s fascists: “I believe that it is better even from the point of view of survival to fight and be conquered than to surrender without fighting.” In this sense, “fighting” doesn’t always have to be violent. Being in Palestine also further helped me understand how the truth about what our governments do in our name is invariably distorted by the media. That disconnect between the truth and what we digest is vital to maintaining the domestic US population’s passive acquiescence to the great crimes being done in their name. The powers that be are aware that if people knew the truth they would push them to stop the atrocities, like the massacre in Gaza in 2014; or the massacre in Iraq which began in 2003 and endures until today. In fact, one of the most silent of all the ethnic cleansing programs done with US diplomatic and military support happened in the east of Turkey and again continues today.

## DIYARBAKIR, TURKEY

I had been to Turkey before but never to the neglected southeast, the redoubt of the sizeable and bitterly oppressed Kurdish minority in the country. In 2012, I arrived in Diyarbakır, the capital of what the locals call Kurdistan, at four in the morning, and the airline had lost my baggage. I went outside to get a taxi, which took me to the imposing walls that ring the Old City, where I had a sleepless night in a grim hotel. I noticed that the guest book was full of names from Iraq, someone from Mosul, another from Kirkuk, and one more from Baghdad. Diyarbakır is just 160 miles away from Iraq, another country in which the Kurdish minority has been treated with brutality. Now, though, in the aftermath of the US–UK invasion and occupation of Iraq, the Kurds were enjoying more autonomy than ever before. The Turkish government, at the same time, was growing fearful of this newfound independence. When I woke in the morning it was as if I was no longer in Turkey. Diyarbakır looked centuries older than Istanbul with its Gucci advertising-boards and appearance-obsessed elites. I walked south out of the city walls and there was a vast panorama of rolling verdant hills with a stunning stone bridge in the far distance that traversed the Tigris River, which flows all the way into Iraq. I had organized to meet Nurcan Baysal, a Kurdish activist, who was a friend of a friend, at the offices of her non-governmental organization (NGO) on Lise Caddesi street just outside the city walls. It was a big, well-kept office, with reports written by the collective displayed on desks. Nurcan was an old hand at talking to journalists, but that didn't stop the passion coursing through her voice. A young and inspiring Kurdish woman, she has been at the forefront of the fight for freedom and independence her people have been seeking for centuries. To take that fight forward she set up Disa, a Kurdish research organization, to combat the hold

the Turkish state and its media had on the narrative about the conflict between it and the Kurdish population. “I’m angry at people who do research from the West,” Nurcan told me. “There are many institutes in Istanbul and Ankara and they do research on Kurdish people, but they are run by Turkish people. Most foreigners know about the Kurdish question in the abstract, we know it by birth.” Many institutions that work on the forced migrations in Turkey’s southeast call the victims merely “internally displaced people”, for example. “But when you use ‘internally displaced people’ you can translate it into Turkish in two different ways,” she added. “The main translation makes it seem like what happened is very passive: like the Kurds came, and they left. Kurdish people want ‘forced migration’ used, they want people to understand that force was used.”

In the 1980s and 1990s, with US diplomatic support and US-supplied weapons, the Turkish military cleared large parts of the Kurdish southeast in the name of fighting terrorism – in this incarnation, the Kurdistan Workers’ Party or PKK. It became merely a war against the Kurdish population, who, like indigenous people in Guatemala during their US-instigated civil war, became synonymous *as a whole* with the Leninist group regardless of their activities. Today in Diyarbakır there is a savage poverty mainly due to the thousands of people who came here after the forced migrations from the villages. The Kurdish people of Turkey have actually been through a prolonged nightmare since the Turkish Republic was founded in 1923. Kemal Ataturk, the war hero and founder of modern Turkey, aspired to an ethnocentric country, which meant Kurds were stripped of their identity and referred to as “Mountain Turks”. Banned from speaking their own language or expressing their historic culture, they have spent the ensuing 90 years resisting a racist state that is trying to extinguish the merest memory of their different lineage. Ataturk massacred those Kurds who opposed his

plan, but those who took on his mantle – called today, the Kemalists – have become more extreme than their idol. A secular, fascist-tinged elite have dominated Turkish politics since the time of Atatürk and liquidated democracy throughout the 20th century when anyone threatened to usurp their power. Meanwhile the elite established a Turkey that suited their interests: they tied themselves tightly to the US empire and its racket as it established its domination over the Middle East, filtering cash through international financial institutions to a well-served rentier class. The current set of authoritarian nationalists are still using a nasty little constitution instituted by fascist general Kenan Evren in 1981 after a military coup. That document has dogged Turkey ever since and caused thousands of lives to be wasted in jail or ended in cold blood for merely speaking out.

The tactics of the Turkish government in combating the Kurdish intifada in the 1980s were straight out of the handbook of the British empire the Turks had fought and beaten in their own war of independence. In 1985, Turkish Prime Minister Turgut Özal, who was a close friend of Margaret Thatcher, co-opted a small elite in the Kurdish villages of the southeast and plied them with US-supplied weapons and orders to do battle with the PKK. These paramilitary units, called Village Guards, were entrusted by the Turkish government to police the southeast from within and a blind eye was turned as they committed all sorts of atrocities. Human Rights Watch say they have opposed the village guard system since 1987, the year they released their first report on the subject, *State of Flux: Human Rights in Turkey*. Even that early it documented emerging evidence of “brutality and corruption among village guards”. The brutal 1990s US-backed state clampdown on the southeast under the guise of a War on Terror, furnished with weapons by the John Major government in the UK and Bill Clinton in the US, saw the destruction of hundreds of villages in a scorched earth policy,



and the displacement of thousands of Kurdish civilians. In the 2000s, the Islamist government of the Justice and Development Party (AKP) loosened restrictions on the use of the Kurdish language in the media and schools, which had previously been banned. Martial law in the area was lifted and the AKP has allowed the establishment of the first Kurdish-language television station; at the same time the imprisoning of Kurdish politicians and the shutting down of their parties abated somewhat. But in this period of glasnost and reconciliation under the AKP, the village guard system was left in place, even as its *raison d'être* disintegrated. There was a real hope that change was coming, as the Islamist party, which had been a victim of harsh repression itself, seemed to offer a different way of doing things. As the Kurdish proverb goes: “The victim understands the victim.” But it wasn’t to be. The “democratic opening” came to an abrupt halt in 2010 when seven PKK fighters arrived in Diyarbakır to cheers from the locals, many of whom were seeing long-lost relatives for the first time. Nurcan said she was in the office on that day. “I was with a young Kurdish student. I went to see what people were doing, and of course there were many congratulations to the fighters, it was like a festival. I was working and I thought, ‘Nurcan, don’t believe them, don’t be happy, something bad will happen,’ and I am 37, I saw the 1990s.” Her instincts were right. “I saw an old Kurdish woman crying,” she continued. “I asked her why she was crying, and the old woman said because today is ‘*bayram*’, which means celebration. I shook her and said, don’t believe them, there is no celebration, you don’t know the bad things they will do after today.”

Meanwhile, in the mainstream Turkish media the story was that the ungrateful Kurds were celebrating the return of the terrorist PKK. But what they didn’t say was that many of these people were celebrating the return of loved ones. “These are our children,” Nurcan said. “It’s a very

important thing. I saw on the street many old women who saw those fighters return, and thought maybe my son will be next. For that reason they were out celebrating.” The seven fighters were eventually put in prison, alongside the thousands of Kurdish political prisoners held on spurious charges. The window for change closed, and repression as usual returned. “It’s hard to attract western media attention because Turkey is a US ally,” said Nurcan. “It’s also hard to get the attention of the Turkish public. Sometimes I feel like it is another world, we are not in the same country. What we saying here in Diyarbakır is different to what they are saying in Ankara or Istanbul. It is very hard to get their attention.” The Turkish media has never been a free media: ordinary Turkish people don’t know what is happening; if they want to know they have to check. Most Turks, like most Americans, don’t check.

Nurcan is an assimilated Kurd, and there are millions like her: they don’t know Kurdish, their dreams are in Turkish, Turkish is their main language. Millions of Kurdish people now live in the west of Turkey, in Izmir and in Istanbul, which has the biggest Kurdish population in the world (5 million Kurds). But they know what happened. And they do not intend to forget and let the oppressors win. “In my mind and in my heart I don’t know if I can forgive them for what they did,” she told me. Many Turks cannot see why someone like Nurcan, who has benefitted from modern Turkey, would complain. “They are telling me why are you sad because you don’t know your mother tongue? It’s very good that you grew up you knew Turkish, you had chance to go to those universities, just enjoy being a Turk. They don’t think that because I don’t know my mother tongue, because of the restrictions at that time, I never had a close relationship even with my mother, and I never had the chance to talk with my grandmother, or my aunt. It’s like you are coming from nowhere, there is no past. They think they are doing a very good thing for us, it is crazy. After this meeting I will

go to buy books and presents for my friends in prison. And when I tell my friends in Istanbul that all my friends are in prison in Diyarbakır they say ‘Really?’ And the thing is I still had some patience to deal with Turkish people, trying to tell them what is happening. But after a while I said, ‘Why?’”

The most emblematic of the many sins against the Kurdish people carried out through the long “counter-insurgency” campaign of the 1980s and 1990s, and before, was the outlawing of the Kurdish language. In the Turkish state’s quest to dissolve any sense of a Kurdish identity separate from Turkey, the destruction of the fundamental cultural artifact of language was central. Nurcan told me she saw someone shot in the street because he was heard speaking Kurdish, and in her school if a child was heard using a Kurdish word, even just one, they would be taken out and savagely beaten.

Kurds who refused to be assimilated as merely “Mountain Turks” were tortured, murdered and “disappeared”, while whole villages were scorched in the battle against the “enemy”, which was publicly the PKK, but actually became the Kurdish community at large, especially those who refused to abide by the cultural genocide being imposed on them. In Diyarbakır mainly people speak Turkish, but when you go to the peripheries of the city, they haven’t forgotten Kurdish; the language is still used despite the attempts to literally beat it out of their heads.

Kurdish children in the 1980s didn’t even know they were Kurds. The constant government and military criminalization of the idea of the Kurd meant that many were ashamed to be Kurdish. “My mother and father came from the village, they were not educated, and most of the families at that time, like this, their main aim was to protect us,” said Nurcan. “I was thinking that the teacher is not using Kurdish, and they are saying that Kurdish is bad, so then someone who uses Kurdish is bad. My mind was working like this. And I was thinking

that because my mother was sometimes using Kurdish, and I was wondering if she was bad. We were ashamed to be a Kurd at that time, because the school and all of society were telling us this. One side we were ashamed of it, the other side we were afraid of it. Because, for example, I broke all my teeth, and I needed to go to hospital every week to get them fixed, and I was afraid that if my mother said something Kurdish what will they do to us? Maybe they wouldn't do anything, but I was very afraid. I remember lots of people being killed in that period. Just for example in this street they killed someone I remember. They killed one of my friend's fathers because he was selling a newspaper. It wasn't even in Kurdish – it was just writing about the rights of the Kurdish people.”

## **THE GOLDEN CHILD**

The US has been a staunch Cold War ally of Turkey for over half a century. It is still selling guns to Turkey, and the Kurds were sold out many times by the US, famously in 1975 when Henry Kissinger allowed them to be massacred, and in 1991 when George Bush senior, after telling them to rise up against Saddam Hussein, allowed the dictator to massacre them again. The situation changed slightly after the attack on Iraq in 2003 when Kurds in the Kurdistan Regional Government (KRG) believed they could become strong allies of the US because of the changing dynamics in the Middle East. The reasoning is that the US needs sound allies in the region, like the KRG and Israel. The people in the KRG believe, perhaps naively, the US cannot turn their back on them now. “If I was an American citizen I would ask myself why my taxes were buying these guns and killing people,” said Nurcan. “I don't understand why they don't ask this. If we have war here today, I'm not saying it's because of America, of course, it is not, but it continues

because of guns, and if there were no guns it couldn't continue ... and the guns come from America."

One brave young American, Jake Hess, saw what was being done in his name and decided to do something about it. He went to live in Diyarbakır and surrounding areas of the southeast to investigate human rights atrocities being carried out with weapons his own taxes were paying for. What happened next was a terrifying but salutary tale. He was detained and deported in 2010 on "terror" charges, which specifically meant "knowingly or willingly supporting a terror organization without being part of its hierarchical structure".

"I was in custody for about 10 nights," he told me. "During my interrogation, they asked me about my reporting on human rights abuses, contacts with NGOs in Britain and Turkey, and views on political issues." Unlike other less fortunate Kurdish activists, Hess was not tortured. The government has a public posture that is "zero tolerance" for torture, but if you are one of the thousands of Kurdish political prisoners in Turkey – held often for years without a conviction – such high-minded rhetoric often does not translate into on-the-ground policy. The US embassy offered consular assistance to Hess to secure his release on the trumped-up charges, but he refused, citing the treatment that they allowed to go on unhindered against Kurdish political dissidents and activists. "In the 1990s, these people would have been disappeared or assassinated; now, they're held in prison indefinitely," he told me. "The US government has murdered journalists both directly and by proxy for years. They bombed Al Jazeera in Iraq and Afghanistan. They bombed the Radio Television of Serbia in 1999, killing 16 civilians. The US was Turkey's chief military supporter as scores of journalists were being murdered there in the 1990s, and continues to provide key military and political backing for Ankara's current assault on the Kurdish movement. Of course I couldn't accept the embassy's help in that kind of situation."

Most Americans hearing about this brutality would be shocked to learn that their tax dollars have been instrumental in propping up this racist and genocidal policy against the Kurds in Turkey. In fact, the US and Turkey have had one of the most close-knit security tie-ups in the world since the beginning of the Cold War, as Turkey was viewed as a front-line state in the NATO alliance against the Soviet Union. In another part of unspoken history, it was the US placing of Jupiter missiles, armed with nuclear warheads, in Turkey in 1961 on the borders of the Soviet Union, that led the Russians to move nuclear warheads to Cuba, which, in turn, precipitated the Cuban Missile Crisis a year later. Operation Gladio, set up by NATO, created underground “stay-behind” armies to retain a position in the NATO states early in the Cold War. Many analysts now conclude that these forces went on to become the infamous “deep state” in Turkey, which, Hess said, “is basically an unelected shadow government that has been involved in political killings, coups, and generally fomenting chaos in the country”. In Turkey, governments come and go – it’s the state bureaucracy and the army that run the country.

Such a state of affairs has been mirrored across the other crucible states within NATO that might become susceptible to communism, clearing the way for brutal campaigns against some of the same forces that had helped defeat Nazism, from Greece to Spain. JITEM, the death squad that was established to murder Kurdish dissidents and intellectuals in the 1980s and 1990s, also grew out of these NATO structures. The military relationship continued even after the Cold War ended. During the dirty war against the Kurds in the 1990s, the US supplied Ankara with 80 percent of its weaponry, worth some \$10.5 billion. Many human rights groups documented how US-supplied hardware was used to commit abuses, including extra-judicial killings and destruction of villages. Washington provided Ankara with more

military aid during its war of terror in the southeast than it did during the entire Cold War.

Turkey is a relatively stable country in one of the most strategically important parts of the world, and the US has used it as a base for imperial operations. In 2003, Turkey refused to let the US open a northern front in Iraq from Turkish soil. However, Ankara later allowed the US to use its territory as a transport hub for operations in Afghanistan and Iraq. In a Congressional testimony in March 2007, Robert Wexler, a supporter of Turkey who was then Chairman of the House Foreign Relations Committee's subcommittee on Europe, pointed out that "The US depends greatly on Turkey to pursue shared objectives in support of the Iraqi and Afghan people", by which he meant the brutal military occupations of those countries. He went on, "Turkey's grant of blanket over-flight clearances to US military aircraft is of critical importance to our military operations in both Iraq and Afghanistan", and noted that "Turkey ... provides extensive logistic supports to our troops in Iraq. This critical life line includes the cargo hub at Incirlik Air Base through which ... we ship 74 percent of our air cargo into Iraq." Indeed, Wexler explained: "The substantial majority of the military assets used by American troops are flown into Turkey, and then transported to Iraq."

In an op-ed published in the *Wall Street Journal* in 1997, senior Republican foreign policy official Zalmay Khalilzad summarized the importance of Turkey for the geopolitics of energy. He argued that the US and Turkey "should work together to ensure the security of the Persian Gulf and the Caspian Basin regions. The US already has security commitments in the gulf, an area that is vital to the world's oil supplies. The relative importance of the Caspian region is growing, though, due to its tremendous oil and gas reserves ... Turkish military facilities provide an excellent location for projecting power to both

the [Persian] gulf and the Caspian Basin. Much of the world's energy resources are within 1,000 miles of Incirlik. Access to the Turkish bases can reduce the amount of military presence required in some of the Gulf Cooperation Council states. Turkey is also a viable pipeline route for bringing some of the oil and gas from the Caspian to world markets.”<sup>3</sup>

The US has fully backed Turkey's war against the PKK, despite the fact that there's near unanimous agreement that there is no “military solution” to the conflict there. The Bush and Obama administrations declared the PKK “a common enemy”, and the US supplies the Turkish military with intelligence on PKK movements in northern Iraq. WikiLeaks cables show that the US is enthusiastic about supplying Turkey with drones, despite its horrific human rights record, which never seems to come up in meetings between Turkish diplomats and US. The PKK is a left-leaning popular movement that has defied NATO's second-largest army and its US patron for decades, so it has to be crushed. They've committed human rights violations over the years, but nowhere even approaching the level of Turkey, so US opposition can have no humanitarian basis.

Many thousands of activists and politicians, including elected mayors, human rights defenders, journalists, women's rights advocates and students, have been arrested on “terrorism” charges. There have been very few convictions or acquittals up until now; thousands of people have been held without conviction for years. “I've looked at several of the indictments dealing with these cases, and it's just beyond dispute that these people are being tried for political reasons,” Hess said.

In recent years, Turkey has become more involved in the Middle East. Its outreach to Syria and Iran, along with Hamas, has at points brought it into conflict with the US-Israeli-Saudi Arabian reactionary front in

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3 Quoted in Everett Thiele, “Whither goes Turkey?”, March 17, 2003, [www.antiwar.com/orig/thieler.html](http://www.antiwar.com/orig/thieler.html)



the region, leading to considerable outrage in Washington policy circles. Despite the extensive debate about how the West has “lost” Turkey in recent years, the US may actually be happy that Turkey is playing a more assertive role in the Middle East as a sort of alternative or rival to Iran and Hezbollah, both of whom have seemingly lost influence since the Arab Spring. Basically, the US might be able to retain some of its waning influence in the region through an active and engaged Turkey. Turkey has suffered several of its own foreign policy setbacks in recent years, and it seems very unlikely that Ankara will entirely break from the US.

“I don’t think Americans are all that aware of the situation,” said Hess. Some American NGOs did great work documenting US-funded Turkish atrocities in the 1990s, but these received little attention, unlike, say, the atrocities in Bosnia or Kosovo. In recent years, corporate media outlets and more establishment-oriented think-tanks have started to criticize Turkey, mainly because Ankara has challenged Washington on a few important issues, especially the Israel–Palestine conflict. Hess added: “The coverage is nowhere near where it should be, and there are still no foreign correspondents based in southeastern Turkey. The media coverage leaves a lot to be desired. It’s shocking how frequently people who are supposed to be experts on Turkey get basic details about the conflict wrong. For example, the PKK is almost universally described in the media as ‘separatist’ even though they backed away from their demand for an independent state in the early 1990s. Writers often disproportionately quote western or Turkish ‘experts’ when covering the Kurds, and for some reason feel compelled to constantly point out that the EU and US consider the PKK a ‘terrorist organization’. Okay, but what do Kurds think about the PKK? Doesn’t their perspective count? There seems to be this conceit that the only people who can comment on the Kurds are either American or Turkish ‘experts’ who speak English and have fancy titles. Beyond the Kurds, US media

coverage of Turkey relies on very simplistic binaries that easily fit with western prejudices, like ‘East vs West’ or ‘secular vs Islamic.’ The press doesn’t really reflect the reality of Turkey.”

In 2004, while in Turkey, George W. Bush gushed about the AKP: “I appreciate so very much the example your country has set on how to be a Muslim country and at the same time a country which embraces democracy and the rule of law and freedom.”<sup>4</sup> What Bush didn’t mention, but was surely of interest to his administration and his friends at the International Monetary Fund (IMF), was that while President Recep Tayyip Erdogan may be a moderate on religion, the AKP was economically fundamentalist, hell-bent on turning Turkey into an IMF experiment. Though the AKP campaigned on promises to the poor and working classes, only a month after it was elected in November 2002, the party announced its plans to embark on mass privatization of state-owned industries, from the national airline to the nationalized oil company. The deputy prime minister at the time, Abdüllatif Şener, admitted that his inspiration was Margaret Thatcher; his close associate Turgut Bozkurt, who was head of the Privatization Administration, spelled out their ambitions as straight from the Thatcherite handbook: “The basic goal is to transform the economy from a state-led economy to a market-driven liberal economy,” he said. “Transferring state-owned companies to the able hands of private entrepreneurs will help rationalize structure and run according to rational or scientific principles in order to achieve desired results.”<sup>5</sup>

As is the case for most close US allies, the economy of Turkey has gradually grown more and more like that of its patron. Agriculture died in southeast Turkey after the forced migrations of the 1990s and neoliberal economic policies in the 1980s. It is a common theme all

<sup>4</sup> “Bush praise for key ally Turkey”, *BBC News*, June 27, 2004.

<sup>5</sup> [www.thefreelibrary.com/TURKEY+-+Profile+-+Abdullatif+Sener.-a0116389955](http://www.thefreelibrary.com/TURKEY+-+Profile+-+Abdullatif+Sener.-a0116389955)

## THE RACKET

across the “underdeveloped world”. In southeast Turkey 20 years ago they were selling livestock around the world – like Haitian farmers once sold rice and Mexican farmers once sold maize. That was before the racket rode into town. Now in this region of Turkey they only *buy* meat. In one region near Diyarbakır there are lots of villages and in the not too distant past all the food from Diyarbakır was coming from that region. Now the children who don’t still live there are picking through the rubbish of the western city of Izmir. Because of this lack of production, the major cities, particularly Istanbul, have been flooded with Kurdish people migrating from the rural areas. They now form an underclass, often living 10 people in one room, in adverse conditions. When you go to Istanbul, the children who clean there are Kurdish; when you go to Izmir, the children who pick through the rubbish are Kurdish. Most of the *gecekondu*<sup>6</sup> in Istanbul are also filled with Kurds. It’s close to an apartheid situation – certainly economic apartheid. Every year more than 200 workers die because of no security at work. Most of them are Kurdish, their lives expendable. “I always think that if we had a color, if we were black or red, I am sure that then the Turkish people would see it,” said Nurcan. “Now they don’t see it, but the poverty in Turkey has a color, a race. It’s like apartheid, and those in the worst conditions, they are Kurdish.” But one thing the Turkish state didn’t count on was that living at such close quarters and in such dire circumstances has created a highly political will among the Kurds. If they do decide to rise up again at some point they will have a lot of power, but the war against them will be fierce once again. The racket does not shy away from using force to realize its economic or geopolitical ambitions.

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6 Slum dwellings, translated literally as “built overnight”, because the authorities tend to destroy them during the day.

# SEVEN

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# MIGHT IS RIGHT

## WAR

In the aftermath of World War II, the US emerged as one of the three biggest economic powers in the world, the others being Western Europe and the Soviet Union. This stayed pretty much constant, with the East Asian “Tiger economies” replacing the Soviet Union in the tripartite economic arrangement. The area where America overwhelmingly dominates is in military power. The Cold War was already in its embryonic stages in 1945. From then until the collapse of the Soviet Union, the US and its western allies maintained they were “containing” the Soviet Union. It is more accurate to say that the Soviet Union was “containing” the United States. According to Edward S. Herman “the Soviet Union was actually a defensive and quite weak regional power”. America, on the other hand, had been establishing security states throughout Latin America and Africa and had control of Western Europe through the North Atlantic Treaty Organization (NATO). The Soviet Union did not pose a problem militarily in the way public rhetoric claimed. The problem was the “virus” of “independent nationalism” that was likely to infect the rest of the world with notions of equality and independence. The wish of American business elites to keep

## THE RACKET

high-scale military spending up, and of the political elites to maintain a grip on their populations meant that the threat of Soviet invasion became a common trope. Military spending shot up in the 1950s and 1960s. Yet, at this time, according to Ken Livingstone, the former MP and the first Mayor of London, who was involved in international politics throughout the period, “the Cold War was largely a fiction because the US had 20 times more nukes than the Soviets”. The historian Niall Ferguson disagrees, writing that the Cold War was a period “when the containment of Soviet expansion, rather than democratic nation building, was the objective of policy”. The excuse for military spending was destroyed along with the “Evil Empire” in the early 1990s; yet the continuation of bloated military spending demonstrates that America’s aim was only loosely related to the Soviet Union. Throughout the 1990s and up until the present, American military power has had no rival. Since the end of the Cold War, almost all the world’s military budgets have declined, except America’s. In 2001, the US military budget comprised 36 percent of the entire world’s – six times the size of the number-two power, Russia, and seven times the size of the next three together, France, the UK and Japan. The US budget for 2012 took it to over 40 percent of the world’s total. It exceeds the spending of the next 10 states combined. All of this with no Soviet – or equivalent – menace. When the Soviet Union fell, the US turned to other covers, such as the “Drug War”, to keep military budgets high, as we will see.

The late historian Howard Zinn told me when I met him in Boston: “Very often the economics of empire requires a militarization of the economy, which then starves the domestic economy and eventually causes collapse.” In terms of military superiority, more important than nuclear or conventional firepower have been the military bases the United States spawned across the world during the Cold War. The Pentagon says there are currently military facilities in 132 countries.

Only about half of these are fully operational but the existing bases mean that nowhere is beyond the range of an American strike. The executive has been consciously accruing these outposts since World War II and it has meant deals with unsavory regimes and, in the case of Diego Garcia in 1966, the repatriation of indigenous people. Noam Chomsky told me that so-called proxy wars became common because the government “intended at first to use US forces ... but there was so much popular reaction that they turned to what is called ‘clandestine war’”. This meant that a large-scale propaganda offensive was not needed and none of the high-minded idealism was given lip-service. Chomsky continued: “Clandestine means the war that everybody knows about except the American population – it’s kept from them and it was fought with an international terrorist network, in which Britain contributed incidentally. So it was Taiwan, Israel, Argentine neo-Nazis until they were thrown out, Saudi Arabian funding, British assistance. So that’s a kind of an international terror network that was used to support the murderous state terrorist governments of Central America and in the case of the one government where they didn’t control the security forces, Nicaragua, they were used just to attack. There was a terrorist war against Nicaragua for which the US was actually condemned by the World Court and the Security Council – the US vetoed the resolution, Britain loyally abstained.”

One of the main institutions of enforcement through violence is NATO, which was signed into force in April 1949. It is a military pact among western countries that is supposed to commit all countries to the defense of their allies should they be attacked. In practice it became a vehicle for the United States to protect its interests in Western Europe. According to historian Michael Mann: “The other states of the North had been under protection since 1945, unable to defend themselves against communism without American help.”

## THE RACKET

Consequently, “America dominated security organizations like NATO.” At the time it was the first US military alliance with Europe in 171 years. Planners such as the influential Dean Acheson paid lip-service to the idea that NATO was designed to “develop their individual and collective capacity to resist armed attack.”<sup>1</sup> It was said to be a wholly defensive organization. Walter LaFeber, the historian, on the other hand, contended that NATO was created by the US with the knowledge that “It could now dominate an alliance by using its partners to carry out US foreign-policy aims.” The aims LaFeber mentions were twofold. The first was to restrict the percolation of Soviet communism into Western Europe, and the second to restore the independence and power of West Germany. NATO was largely successful in these aims and, aside from some pushback during Charles de Gaulle’s presidency (1958–69) in France, the US managed to retain its singular role within the organization. In a memorandum to President Eisenhower and Prime Minister Harold Macmillan, de Gaulle complained of the “tripartite world strategy” that did not include France. Eisenhower, in turn, wrote that the “United States had no ambition to carry the heavy responsibility that had been forced upon it in NATO”.

Even though the alliance stayed strong and grew to include a number of other countries over the decades, its first military operation did not occur until after the fall of the Soviet Union. It took place in Kosovo in 1999 and marked the apparent metamorphosis of this “defensive alliance” into a force for “humanitarian intervention”. NATO’s militarism now apparently marked a beautiful new moment in the racket’s altruistic program. President Bill Clinton remarked on June 10, 1999 at the end of the bombing of Serbia and Kosovo: “The

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1 The North Atlantic Treaty, Washington, DC, April 4, 1949, [www.nato.int/cps/en/natolive/official\\_texts\\_17120.htm](http://www.nato.int/cps/en/natolive/official_texts_17120.htm)

demands of an outraged and united international community have been met ... Because of our resolve, the 20th century is ending not with helpless indignation but with a hopeful affirmation of human dignity and human rights for the 21st century.”<sup>2</sup> The US and its allies had actually designed the peace talks – called the Rambouillet Agreement – to fail. By imposing the condition that NATO forces would be free to operate throughout not just Kosovo but all of Serbia, those pushing for war knew that Yugoslav President Slobodan Milosevic could never accept it. It was a typically smart move on the part of the racketeers and one for the trophy cabinet of their enforcement mechanism.

Once again, scrutiny of the facts reveals a story that had much more to do with self-interest than any preoccupation with human rights and dignity. Before the war in 1999 US Defense Secretary William Cohen claimed: “We’ve now seen about 100,000 military-aged [Albanian] men missing ... they may have been murdered.” When the bombing was over and investigations had failed to find any mass graves, the International War Crimes Tribunal said the total number killed on both sides was 2,788. The pre-war figures had turned out to be grossly inflated, with the leader of the Spanish forensic team lamenting the “semantic pirouette by the war propaganda machines”.<sup>3</sup> The purpose of the military offensive was to re-establish this diminishing military organization that many had perceived as obsolete at the end of the Cold War and the collapse of the Warsaw Pact (which had been its antonym). A White House official stated President Clinton’s position: “From the first day, he said we have to win this. It was absolutely clear. Because of the consequences for the US, for NATO, for his responsibilities as

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2 Martin McLaughlin, “Clinton’s speech on Yugoslavia: piling lie upon lie”, *World Socialist Web Site*, June 12, 1999, [www.wsws.org](http://www.wsws.org)

3 Quoted in John Pilger, “Don’t forget what happened in Yugoslavia”, *New Statesman*, August 14, 2008.



Commander in Chief, we had to win this.”<sup>4</sup> Columnist William Pfaff went further, stating, before the conflict: “The debate about intervention is no longer a dispute over the means to an end. It is a debate over abandoning NATO and the claim to international leadership”.<sup>5</sup> The Yugoslav government thus had to be destroyed to maintain US military supremacy in the institutionalized form of NATO.

Following the disintegration of the Soviet Union, the point of NATO was unclear, but then NATO bombed Serbia and Kosovo in 1999 to ensure the break-up of Yugoslavia; 9/11 provided the West with a new enemy; and NATO employed new and different machinations to keep Russia out while expanding into Eastern Europe via Georgia and Ukraine. The role of Turkey, as explored, was also crucial: since 1951 it has supported this alliance without qualification. During Israel’s 2006 war in Lebanon, Turkish soldiers were sent to be “peacekeepers”, and there were 1,300 Turkish soldiers in Afghanistan at one point. NATO has been used in Turkey to combat Kurdish activists, trade unionists, socialists and other enemies of the state. NATO troops are supposed to be prepared for foreign invasions, but actually they are often *used against democrats*.

## THE MOB RULES BY FEAR

It is true that there have been relatively few direct military interventions by the United States. Control, as already discussed, has largely been maintained by supporting right-wing elements within a country from a distance. Military force has been a last resort. The major exceptions to this modus operandi are the Korean War of 1953, the Vietnam War, the

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4 Blaine Harden, “Waging war on the Serbs: old problem, new lesson”, *New York Times*, June 6, 1999.

5 William Pfaff, “Land war in Kosovo?”, *New York Review of Books*, May 6, 1999.

war in Afghanistan and those in Iraq. The “defensive” rationalization was used to legitimate direct military adventures during the Cold War. In fact, it was a desire to circumvent expansionary communist powers that would spread, to use Henry Kissinger’s telling phrase, “the virus” of “independent nationalism”. In the case of Afghanistan and Iraq, they fell under the rubric of the “war on terror” which, on the whole, maintained the same conceptual and institutional framework, with “terrorism” replacing “communism” as the Other that must be destroyed at all cost. Far from supporting “democracy-promotion”, the US military has, in recent history, become a self-fulfilling prophecy. In his autobiography, Colin Powell, Secretary of State under George W. Bush, noted how Clinton’s National Security Advisor Madeleine Albright asked him rhetorically: “What’s the point of having this superb military you’re always talking about if we can’t use it?”<sup>6</sup>

The philosopher Zygmunt Bauman links current militarism to the economic downturn in the US. He told me: “There is no competition in arms, there is no question about that. But if that is the case then America wants to make the world in its image; namely, that what decides in this world is application of force: who has more bombs, who has more smart missiles and things like that, the more mobile army and so on. And that’s a danger. Economically the power has shifted already.” The war in Iraq, which began in March 2003, is a perfect illustration of the United States’ desire to use direct foreign invasion as a means to further its own economic interests. The war eventually deposed the dictator Saddam Hussein, but it was no coincidence that Iraq had the third largest reserves of oil in the world. Ostensibly the US is fighting a “war on terror” – the same war designed in the 1980s under Ronald Reagan – and “the liberation of Iraq is a crucial advance in the campaign against

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<sup>6</sup> Michael Dobbs, “With Albright, Clinton accepts new U.S. Role”, *Washington Post*, December 8, 1996.

terror”. In fact, Saddam Hussein had no hand in the September 11, 2001 atrocities in New York, Pennsylvania and Washington, but those atrocities were used to pull a veil over a preconceived desire for regime change in Iraq. Many elements of George W. Bush’s administration were previously members of a lobby group called Project for the New American Century. The most informative document produced by this think-tank is titled *Rebuilding America’s Defenses: Strategies, Forces and Resources for a New Century* (2000). It stated: “The United States has for decades sought to play a more permanent role in Gulf regional security. While the unresolved conflict with Iraq provides the immediate justification, the need for a substantial American force presence in the Gulf transcends the issue of the regime of Saddam Hussein.” Much like the communist pretext was used to pursue violent conflict to establish favorable economic circumstances, “terrorism” falls into the same paradigm. The history of the Cold War shows that the US is also driven by questions of prestige, and is especially concerned to demonstrate to its supposed allies that it can do certain things. The Vietnam War occurred substantially because of the defeats in Korea and Laos: various presidents felt that the US had to demonstrate its power. Once the US was in Vietnam it was extremely difficult to get out without significant loss of prestige, so the conflict was prolonged. All leading American racketeers still share this view.

While speaking of Vietnam it would be remiss not to mention one of the most exalted mobsters in the whole system, Dr Henry Kissinger. When the then president of Iran Mahmoud Ahmadinejad was invited to campus at Columbia University where I was studying at the Journalism School, there were weeks of debate about whether we should allow him to address us at our home. On the day he arrived hundreds of protesters spoke out against his pernicious statements on the Holocaust and his crackdown on dissidents, homosexuals and secularism back in Iran.

The university president joined the chorus and opened his introduction with a rhetorical salvo against Ahmadinejad. All good. Except, soon after, Columbia Journalism School welcomed a speaker who was much worse than a Holocaust denier – he had been partly responsible for one; in fact, more than one. That man is Kissinger, the National Security Advisor and Secretary of State under presidents Nixon and Ford. There was none of the publicity, none of the protests, none of the ire – he was given a warm and effusive welcome and answered questions about his experience at the hub of the United States. Conceivably, the lack of publicity was an effort to stop the protest movement that follows Kissinger around the world. But at the end of his peroration, dewy-eyed students took photos alongside him and one even hugged him passionately. It is hard to know what is more worrying – that a reputable journalism school invites someone like Kissinger to speak every year, despite his past, or that the majority of students are oblivious to what the man has done. In his 2001 book, *The Trial of Henry Kissinger*, the prominent late journalist Christopher Hitchens catalogued with tragic specificity the carnage that Kissinger consistently unleashed around the world during his time at the center of power. “Many if not most of Kissinger’s partners in crime are now in jail, or are awaiting trial, or have been otherwise punished or discredited,” he wrote. “His own lonely impunity is rank; it smells to heaven.” The first holocaust concerned the country of East Timor in East Asia. It was invaded by neighboring Indonesia on December 7, 1975. That same day, President Gerald Ford and Secretary of State Kissinger concluded an official visit to Jakarta and flew to Hawaii. Ford and Kissinger are revealed by declassified files to have given the “green light” to the Indonesian dictator to start the invasion. East Timor was home to an independence movement called Fretilin, or the Revolutionary Front for an Independent East Timor, whose leftist ideology put them on the wrong side of the Cold War

divide and at the mercy of the Indonesian military. What ensued was nearly 25 years of mass slaughter, rape and torture and the near-destruction of a nation. It is estimated that more than 200,000 East Timorese were killed during the Indonesian occupation, a third of the population of the country. Proportionally, it remains one of the worst genocides of the 20th century, all backed by Kissinger and his boss.

It is not only the disregard for human life that is troubling, but the legal aspect. What Kissinger and Ford had supported was illegal: Indonesia had violated international law by invading a sovereign nation, they had also violated American law, which said that weapons supplied to Indonesia were only to be employed in self-defense. But this was the pattern with Kissinger. His disregard for human life was matched only by his disregard for legal niceties. His blood-soaked résumé includes other continents too. In 1973, the democratically elected government of Chilean President Salvador Allende was violently liquidated by the fascist leader of the military, General Augusto Pinochet. For the three previous years, Kissinger had been integral in trying to undermine the legal and internationally recognized Allende government. The campaign included a program to remove the coup-averse General René Schneider and replace him with a sharper toothed coup-hungry operator. A \$50,000 sum was offered to anyone who could do it. Although the CIA backed out of its support for former army General Roberto Viaux shortly before the kidnapping and accidental murder of Schneider, enthusiasm for a coup was still strong among American leaders. Following the successful coup, 17 years of dictatorship were foisted on the Chilean people, while the economy was opened to western speculators. Over 3,000 people were killed, and countless others “disappeared” or were tortured. Similar scenarios were played out across the world during Kissinger’s terms in office. The Kurds were massacred in droves between 1974 and 1975; rape, burning, torture

– every conceivable horror visited on them after they had rebelled against Saddam Hussein with Kissinger’s support. They were sold out and left to die.

The second holocaust Kissinger was partly responsible for was that in Cambodia under the genocidal maniac Pol Pot. During the Vietnam War, which Kissinger is thought to have prolonged in an effort to get Richard Nixon elected in 1968 (in Kissinger’s life these titanic crimes only make the sidebar), Kissinger had ordered the secret bombing of Cambodia and Laos, two desperately poor countries that the US was not officially at war with. Between March 18, 1969 and May 1970, 3,630 bombing raids were flown into Cambodia. A Finnish government study estimates that 500,000 people died in this first phase, with 2 million refugees produced. Some analysts also argue that this bombing campaign, which depopulated large rural regions, led to the Pol Pot regime, which murdered 25 percent of the Cambodian population.

So there you have it: a veritable war criminal and facilitator of mass slaughter. And all of this information was in the public domain, available to any student with an enquiring mind. Fed up with the love-in at Columbia Journalism School, I asked Kissinger in front of his enraptured audience how he slept at night. “Do you think you are morally superior to me?” he asked after a pause. “Yes. I do,” I answered confidently, stunned that he might mistake me for a mass murderer. All the while there were groans in the room from fellow students and professors, a startled disbelief that a journalist might actually confront a powerful mobster rather than attempt to fondle his ego with the usual fatuous questions. Despite this, it is still assumed that Columbia University has the best journalism school in the country. But thinking about this pandering to and reverence of one of the racket’s most illustrious, I realized that to flourish in the corporate media, the destination of nearly all of these students, you

## THE RACKET

have to block out the truth of how the world works. Looking at the racket with open eyes can spell career suicide, so, as Harold Pinter put it, “it never happened”. Kissinger is a cuddly old statesman, not a mass-murdering racketeer. In fact, a couple of days after I confronted Kissinger, one of the school’s top professors came up to me and said: “I heard you disgraced yourself the other day”. If I’m honest I wasn’t even surprised – this academic would never be teaching at Columbia Journalism School if he thought the purpose of journalism was to expose his own country’s mass-murderers rather than suck up to them. Power selects for obedience, and by now it was obvious to me that the most obedient are inevitably rewarded with fancy positions in universities or with newspaper columns. The closest I came again to holding another mobster to account was when I was covering the 2008 Republican National Convention in St Paul and I chased Karl Rove, President George W. Bush’s “brain” (he needed one), down the street asking him if he believed he was a war criminal. He pled the fifth before getting into a car.

## THE DRUG WAR

Another method of enforcement devised by the US is the so-called “Drug War” or “War on Drugs”, which is made up of two elements – the racialized war on the domestic poor, and the war on the rest of the world. It was formally started in the early 1970s by President Richard Nixon, focusing on eradication and interdiction all over the western hemisphere. The Drug War at home began as a way to deal with what some sociologists called the “superfluous population” – those people for whom there were just no jobs, the “permanent unemployed” that every capitalist economy has. It came in tandem with the growth of what is now called the “prison–industrial complex” whereby the privatization of

corrections facilities offered all sorts of perverse incentives that made it in the interests of corporations (and the politicians whom they funded) to push for harsher sentences and more incarcerated people. Since the 1970s, the US has spent upwards of \$1 trillion and seen thousands of people killed in this two-front fight.

In 2010 the US federal government spent over \$15 billion on the Drug War at a rate of about \$500 per second. But nearly everyone in policy circles admits it has been a failure. “I think that a lot of the arguments are quite convincing that current drug policy isn’t working,” Michael Shiftner, president of Inter-American Dialogue, a Washington think-tank, told me. “The evidence is strong, it has produced broad consensus of opinion.” Even the Obama administration’s own drug tsar, Gil Kerlikowske, was skeptical in 2011. “In the grand scheme, it has not been successful,” he said. “Forty years later, the concern about drugs and drug problems is, if anything, magnified, intensified.” The Obama administration did use a different tone on drug eradication policy, refusing to call it a war on drugs, and behind the scenes there is very little enthusiasm for the current approach. But the bureaucratic apparatus that has been built up over the past 40 years has made change difficult. The Obama administration requested \$26.2 billion in its 2012 drug control budget for federal efforts to rein in the problem, an increase of 1.2 percent from the 2010 budget. Nearly 60 percent of that, or \$15.5 billion, was directed to “supply reduction”; in other words, law enforcement and interdiction internationally and domestically.

It is worth considering why this massive outlay in capital and human life continues. It is no coincidence that it began at the height of the Cold War – it was just another tool of control to shore up the “backyard”, or Latin America, the focus of most of the efforts. That control still needs to be exercised in a continent that is showing signs of moving away from US influence. The Drug War gave the US an



excuse to keep a massive military presence in the region after the Soviet “threat” had disappeared. For example, a number of countries with drug problems – such as Colombia and Panama – have good relationships with the US, but even they seem to realize the war is not doing any good. Despite that, they let it go on because it allows them to fight their adversaries – in many cases, left-wing rebels – under the cover of the Drug War and thus escape censure from the US or anyone else.

But the conversation is building. Colombian President Juan Manuel Santos said in 2011 that he was not against legalization. “If the world considers that [legalization] is a solution, I would gladly go along with that. I can understand the benefits, and I can understand the arguments,” he said.<sup>7</sup> A commission on drug policy was set up by former Colombian president César Gaviria, calling for decriminalization of drugs in the region. Many Latin American governments are hoping the US will realize the shortcomings and begin a debate about other options that would be more viable. Before that happens they are hedging their bets.

Mexico is one of the most important countries for the US to control, as they share a long border (half of Mexico was bought by the US in 1803 for next to nothing). The border region has become a hell as a result of the Drug War. It has witnessed 36,000 deaths since former President Felipe Calderón launched a crackdown on drug trafficking, soon after he came to power in 2006, with the encouragement of the US which promised \$1.6 billion in aid to the effort through the Mérida Initiative. Human rights groups have reported huge numbers of atrocities by the Mexican military against indigenous communities and civil society, under the guise of the Drug War. The murder of Jaime Zapata, a US immigration agent, by a drugs cartel in Mexico in 2011 and continuing violence in the border region again attested to the costs

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7 “FT interview transcript: Juan Manuel Santos”, *Financial Times*, February 13, 2011.

of this futile war. If you looked at it objectively you would have to say it is not working. The traffickers are cultivating and selling drugs to a huge market in the US that is growing all the time. The US seems to be incapable of doing anything internally about the demand for drugs, and where there is demand there will be supply. If a Colombian or Bolivian peasant farmer is deciding between growing a hectare of banana trees or a hectare of coca, there's no comparison in terms of the return.

The US has had problems in recent years, as left-wing governments have sprung up in Latin America opposed to the program, making enforcement increasingly difficult. It has become harder to launch coups to get rid of them, too. This nascent movement in Latin America has made the enforcement side of the eradication policy by the Drug Enforcement Administration (DEA) harder. Bolivia's leftist President Evo Morales kicked out the DEA, arguing that it was being used to pursue the geostrategic interests of the US, which was undoubtedly true. At the moment only Ecuador has followed suit, but this could change. The US's teetotal approach has also led it to oppose Bolivia's formal request to the UN to remove the ban on the chewing of coca leaves – an indigenous practice dating back more than 2,000 years. All over Latin America in recent history there have been moves to legalization. Argentina's Supreme Court ruled to decriminalize possession of drugs for personal consumption and there are continued efforts in Ecuador to reform its heinous drug law that was basically drafted under the guidance of the US. Senior figures in the region such as Fernando Henrique Cardoso and Ernesto Zedillo, the former presidents of Brazil and Mexico, have questioned the validity of the Drug War. Back in the US, it is the cowardice of the political establishment that stops anything from changing. "People are admitting it's a failure," Ron Paul, a Republican congressman from Texas, told me. "But they are intimidated. If they say it's a failure they are worried about being perceived as soft on drugs."

He added: “I think we are making progress. I sense a major change with the people, but I don’t think the government has caught up yet.” The libertarian wing of the Republican Party has been increasingly pro-legalization and against the huge outlays in Latin America while the rise of the Tea Party has brought the issue to the fore, with some wings favoring a cessation of the policy. “I have had this position for years, people always thought I wouldn’t be re-elected [in the] Deep South bible belt, but it’s never been harmful politically,” said Paul. “It has hurt so many people and so many families, there has been a realization that it’s the war that is hurting people more than drugs themselves.” And some Democrats are wising up, too. The Western Hemisphere Drug Policy Commission Act aimed to create a commission appointed in part by the president to re-evaluate the eradication and production-side emphasis of the US’s drug policy in Latin America. Sponsored by Eliot Engel, a congressman from New York, it was defeated in the Senate in 2010 after passing through the House unanimously. Another act of the same name was introduced in 2014. “The War on Drugs is a failure, we still have problems with drugs,” Engel told me. “In Mexico the cartels are even bolder.” But it was only a failure if you believed the War on Drugs was about drugs. Honduras shows it is actually about something else entirely.

# **EIGHT**

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# **A DRUG WAR COLONY**

## **TEGUCIGALPA, HONDURAS**

Tegucigalpa (Tegus) is an American-made disaster. Traditionally the most subservient and tightly controlled US client state in Central America, it has been the base from which the US has launched a terrorist war of aggression (against the Nicaraguans in the 1980s) and ignited a savage civil war (in neighboring El Salvador). There is barely a restaurant in the city that is not part of an American corporation, and on the surrounding beautiful, rolling hills sits Tegus's own version of the Hollywood sign – except this time it says Coca-Cola. There is barely anywhere in the city from which this imposing cutout is not visible.

When I arrived in the country in 2012, it had been three years since the US-backed coup that threw out the democratically elected president. I was told I could not leave the hotel, day or night, and had to take a taxi to interviews. The whole city was on lockdown. I did not comply – but as I walked the concrete streets of the center it was like a ghost town. There were various bits of graffiti, the walls being the last place for free expression in a country wrecked by authoritarianism

and violence. “*El pueblo nunca olvidará*” (The people will never forget); “*Venceremos los dueños!*” (We will defeat the owners).

Honduras is one of the front-line states in the Drug War. It has become increasingly popular with traffickers owing to the corruption of its officials, the poverty of its people, and the fact that there are large tracts of barren land, particularly in the north of the country, that are off limits to the government. The geography is also a boon for narcos – Honduras is a halfway point for cocaine coming from South America to Mexico and the US. But combating drugs is like squeezing a balloon – when you push the drugs out of one region, they reappear somewhere else. Underneath all the puritan anti-crime rhetoric, the so-called Drug War, which is now a huge bureaucracy employing thousands of people all over the world, was always about control. This method of domination became more acute after the end of the Cold War when the US was running out of excuses to base its military personnel and agents throughout Latin America. The Drug War then became the perfect front for a sustained military presence in the region that would make all its countries slaves to US dictates: the situation that the planners wanted replicated was that of Honduras. Unsurprisingly, it was a plan the rest of the hemisphere was not too happy with. When I arrived in Tegucigalpa I was aware of the real reasons for the Drug War, but I wanted to hear from the horse’s mouth what US operations were about. I organized an interview with the Drug Enforcement Administration (DEA), the major US agency dedicated to eradication of coca crops, to take me through it. The DEA agent, Jeff Sandberg, did not want to be named, but in the interests of full disclosure I will not conceal his identity. US agents don’t deserve anonymity, like the programs they oversee. Incidentally, that’s probably not even his real name – most US agents are given cover identities. He was a squat man with a shaved head and a wild-eyed look, the sort

of proselytizing anti-drugs bureaucrat you might imagine would be working for the DEA in Honduras. When I asked him whether he felt he was winning the war against the cartels, he just laughed. “No, we’re not winning, but we’re trying very hard. The situation is very difficult, you have government institutions that have basically failed or are failing that require a lot of work and a lot of time to strengthen them and get them back on track.” He was no doubt correct, but he forgot to add that the government, the country and the state it was in, were in large part down to non-stop US intervention for pretty much a century. Any time it looked like the people were slinging off the imperial giant upstairs, the US would come in and launch a coup, as it did in 2009, President Barack Obama’s first coup. The problem had been the incumbent President Manuel Zelaya, who had had the temerity to raise the minimum wage for the poorest Hondurans. The local Honduran oligarchs saw the danger of a slightly more humane society and reached out to their natural allies, the US, overthrew democracy, kidnapped the president, dumped him in his pajamas on a runway, and reinstalled the political wing of the rich, the Liberal Party. The US initially called it a coup, then the position changed, the subsequent “elections” were validated, and Porfirio Lobo, the new and illegitimate president, was invited to tea at the White House.

Since the coup, a continuing phenomenon has been the huge increase in the number of human rights violations. This is not just perception. One human rights group told me that at a national level in 2008 they were dealing with 125 human rights violations throughout the whole year. In 2010, they had 2,700 cases, and in the period 2011–12 there was very clear targeting of specific groups. Among the countries of Latin America, Honduras has had the most journalists murdered in recent years. There has also been targeting of people who are aligned to the new political party, LIBRE, that has been set up by former president

Zelaya and his wife, as well as people who are community activists involved in protest and resistance movements. When I was there the country had what Hondurans called (accurately) a “narco-congress”, a group of rich legislators who are in bed with the narco-traffickers with whom the US was ostensibly at war. Mr Sandberg himself agreed. “I believe there are plenty of people that are involved [in the drugs trade], that would have to be involved, to allow what goes on here, high up the food chain.” The number of deputies in the congress who have been assassinated in narco-related incidents has soared over recent years, while people at the local level will say openly which mayors, members of the city councils and deputies have been elected with narco funds.

## NOTHING TO SEE HERE

The method of military control used in Honduras, under the guise of the Drug War, is simple: open a military base, but do not call it a base. This method is mirrored across other countries in the region and across the world. The US officially calls these areas Forward Operating Locations (FOLs), because apparently they are temporary, and it’s embarrassing to call them bases as an American empire, of course, *does not exist*. In Honduras, just before I arrived, the US had opened four new FOLs, ostensibly to deal with drugs. But, in truth, Central America was also showing signs of moving away from US control, with left-wing governments in El Salvador and (briefly) Honduras. The truth is that the US was trying to reassert its control of Latin America after a decade of concern about the Middle East, during which time a raft of independent leaders, not subservient to US interests, arose in the region.

In the course of my interview with DEA agent Jeff Sandberg in the gardens of the US embassy in Tegucigalpa, he denied that the FOLs were new, saying that “they have been around for a number of years,

maybe not in as much use as they've gotten in the last year or maybe in the upcoming time frame, but those locations have been around for actually a number of years, so they are not really new." This sounded like an admission that the US has had a surreptitious military presence at undisclosed locations through Honduras for "a number of years". The flack (journalistic slang for PR people) who sat in on our interview chimed in: "We have no military bases, there are Forward Operating Locations, which are actually Honduran facilities where there was just renovations that were done to support these types of air operations, it's not something that was built out of whole cloth. Even though I explained it's a small operation, but these were existing facilities where it was built so that there could be the staging for these helicopters into the air where we've identified that the drug trafficking activity takes place." The rhetorical gymnastics of imperialism. Of course, it was all smoke and mirrors. FOLs are the same thing as a military base, but the Americans don't want to appear the imperialists. The flack even said there is "not a US base at Soto Cano. Soto Cano is a Honduran base". But that same base houses the US Joint Task Force Bravo (JTF-B), which is a regional force whose main goal is apparently to "assist in disaster relief" – and other *more nefarious things*. "I do want to reject categorically the idea that there is an American base in Honduras," he told me. Imagine if the Hondurans had an elite team of Special Forces at a base in Florida, then said it didn't comprise a base. Incidentally, the use of "advisors" in South Vietnam by President Kennedy in the early 1960s was another way of covering up for the build-up of troops and the take over of a foreign country under the veil of "altruism" and the "at their behest" ideology.

To understand the massive ideological construct that is the Drug War, designed to disguise the imperialism at its root, it is necessary to examine US claims about its efforts. Money is given by the US, alongside



military and drug personnel and training, to Latin American countries in an effort to interdict drugs that are being smuggled from Colombia and other areas of South America through Central America until they finally arrive on the streets of Baltimore or Chicago. Interdiction does happen – the propaganda is not completely hollow – in the form of night raids and drug busts, but even Mr Sandberg admitted to me that “interdiction is a very small part of the puzzle”. In addition, the US’s Drug War hasn’t hit production levels at all, but has merely caused possibly millions of deaths and untold misery across the continent. When WikiLeaks released the US diplomatic cables, they revealed that the Americans in fact knew that the most powerful oligarch in Honduras, Miguel Facussé Barjum, was allowing drugs-laden aircraft to land on his property. Facussé, who had his own private militia that was killing campesinos fighting for land rights, was of course a US ally, so nothing ever happened. Many in Honduras believed Facussé was in fact behind the June 2009 coup, an allegation with some merit.

In short, the US is losing the war against drugs, but that doesn’t matter because it *isn’t about drugs*. The war will continue because it’s the perfect mask, the perfect means of maintaining high levels of military force and control throughout the Americas now that the excuse of the Soviet Union has disappeared. The Soto Cano air base in Honduras, in fact, became a vital control point for counter-insurgency in the region, and in more recent times it has been the watching point for the supervision of drug trafficking and movement throughout this region. More importantly, the US can police the people when they vote the wrong way: it was clearly concerned about President Zelaya’s policies in 2007–08, the entry of Honduras into the independent trade grouping ALBA, and the close relationship with Hugo Chávez. All of these set off warning bells for the US about whether it would lose access to the bases, so there was a coup, and the people of Honduras were crushed once again.

The functionaries at the front line of US imperial operations can't – won't – see it like this. “We're making some progress, we're trying to make more progress, what's the alternative?” asked Jeff Sandberg when I mentioned that the war looks to be failing. “To throw up our hands and say we give up? Then what happens? Chaos, in my estimation. Is that the better alternative? Not in my world, maybe some people think so, but I bet if those people lived in chaos they'd think otherwise.” I later organized to meet with the heads of the United States Agency for International Development (USAID) and the State Department to see what kind of narrative they had developed to explain the descent of this close American ally into tragedy. Like many individuals working in the US imperial system, they obviously believed the lies that had been concocted to legitimize, both morally and legally, the US presence in Honduras. In fact, I believe it would be impossible to not imbibe all these false theories about US benevolence – many of these people are good people who want to believe they are doing the right thing. It is the institutions that are pathological; they are merely its human form, so convoluted forms of legitimization are a must. Every now and then someone like Edward Snowden has a moral awakening and reveals the true face of American power. But the collection of officials I met comprised the standard fare. We sat around the table at the USAID building opposite the embassy and they came out with the usual lines, which are not worth quoting as they just perpetuate the myths.

## **CULPRITS RUNNING FREE**

Like most campaigns waged by the US government to pursue its interests in a particular region, the result in Honduras has been unadulterated misery for the people living there. In fact, when I was in Honduras it had

been transformed into the most dangerous country in the world. The homicide rate was higher than in war-torn Iraq and Afghanistan, two other countries destroyed by the US government and military. I talked to a number of people who had lost friends and relatives – it was unusual to meet someone who did not know someone who had been killed by a gang or political interests. No one had seen justice done. Julio Funes Benítez, for example, was shot dead in broad daylight outside his house in Tegucigalpa in early 2010. The assassins unleashed a hail of bullets in his direction while driving past on a motorbike. Mr Benítez had been active in the resistance movement which flourished after the coup. But nearly three years on, no one had been charged with his murder. “From when they killed my husband to now, I never got any support from the authorities,” Lidia Marina Gonzales, Mr Benítez’s widow, told me. “There was never an investigation, the culprits are free. The agent who was meant to investigate told me that if I wanted there to be an investigation I would have to pay.” The fact that Mr Benítez’s killers got away with murder is not an exception in modern-day Honduras. There are 91 murders per 100,000 people, or one every 74 minutes. Nearly all remain unsolved, and many, as in the case of Mr Benítez, are not even investigated. One of the big problems is that the quality of criminal investigation is absolutely appalling; sentencing is less than 3 percent. This pattern of violence cannot be attributed solely to the coup, but has been growing since around 2002. The Honduran government itself says it is focusing on modernizing the justice system and reforming political institutions in its effort to bring down the homicide rate. “The advance of narco-trafficking alongside the geographical position of the country and corruption in the police make it hard to combat,” Julio César Raudales, the minister for planning in the Lobo administration, told me. “It is going to be a long road to reconstruct the social fabric, but that won’t stop us.”

As in all countries where the US has been intervening on the side of the oligarchs and the murderers, a heroic resistance, killed at a staggering rate, refuses to be cowed. Chief among these groups is Cofadeh, the Committee of the Relatives of the Detained and Disappeared in Honduras, which is a non-governmental organization (NGO). I walked over to their offices to talk with Dina Meza, one of its human rights workers, who was herself living in fear because of her work. “There are many threats, defenders of human rights have a lot of threats,” she told me in a coffee shop just down the street. “In my case they have increased since February of this year, text messages have come to me telling me to watch out, armed men have come to my house, I had to change my life radically, including where I live. I spend much more on security, but of course the government isn’t investigating the threats. This office is watched, all our actions are watched. I had to leave with my family from where we lived because armed men were watching us at home, even though Cofadeh had told the police, they had never come to protect us, they wanted to kill us all. They gave me a number to call of the police if I get in a bad situation, but the number doesn’t work, no one picks up. We have a state that doesn’t work.” So how does she go on? I asked. “I don’t want to see a country with no human rights; we have to keep fighting for our children. Even if I die, we are fighting for democracy, rights, it’s a natural bravery.”

When you travel around the world investigating how the US has uniformly tried to stub out popular movements through the most heinous and brutal programs, people like Meza also pop up everywhere. These are people who refuse to become just another statistic buried by the US media, people whose names will never be known beyond their communities but who continue to fight every day, at great risk to themselves, positioned against the most powerful state and military in the history of the world. Meza didn’t mince her words: “The US support

the oppression of anyone lifting a finger against the coup government, I wish the American people could see this.”

In the aftermath of the June 2009 coup, the resistance had been strong and was brutally suppressed. A new party emerged which was said to represent the disparate groups allied against the *de facto* regime – these included unions, lesbian, gay, bisexual and transgender (LGBT) groups and women’s movements. It was called LIBRE and was led by Xiomara Castro, wife of the deposed president Zelaya. I met the international coordinator of the party, Gilberto Ríos Munguía, in Tegucigalpa. “The government doesn’t have real power,” he told me. “A *de facto* group have power in the country. They control the police and the military. It’s a group of narco traffickers, from Mexico and Colombia; it’s the same cartels that are in Mexico that control this place. They have more power than the state of Honduras; they have neutralized the functioning of the state, in police, investigations, in the military. This has provoked the high levels of violence.”

After the US and oligarchs threw out the democratically elected Zelaya, the narcos gained near-complete control of the congress. Although the US denied being involved in the coup and, in WikiLeaks cables subsequently released, privately said it was illegal, it has strongly supported the coup regime under President Porfirio Lobo. Many people in Honduras suspect that the US was involved in the coup itself. There is a famous joke in Latin America that the US is the only country in the hemisphere to have never had a military coup because it is the only country in the hemisphere without a US embassy. “The CIA had a lot to do with the coup. Obama with the new coup, he didn’t recognize the *de facto* government of [Roberto] Micheletti; however, he never did a commercial blockade, like in Cuba. In the case of Honduras he only criticized six months of *de facto* government, then recognized the government of the same coup,” added Mungia.

Mungia believed that the US favors some cartels over others, a view that is gaining increasing currency in Central America and is backed up by revelations from Mexico. He held that “the DEA is very corrupt, it’s a cartel, and they are working with the cartels, in Mexico as well”. Like in Iraq and Afghanistan, where someone who has a score to settle will erroneously tell the Americans that their enemy is al-Qaeda, the cartels in Central America are informing on their enemies to the DEA in the hope that the biggest military power in the world can help them vanquish their rivals. “In Mexico, the country started going bad at the start of the war on drugs, and in Honduras we are worse than even Mexico,” said Mungia. The activists in LIBRE, like many others who are standing against the US-backed coup regime, feel in constant danger. “Many people of us are under threat of death, we have received many threats,” he said. “I have friends that have been assassinated, the mayor, the deputies. I lost a friend who was very close six months ago. The first deputy candidate [from the LGBT community], he was killed.” That activist was a young man by the name of Eric Martinez, who was murdered by anonymous forces for speaking out too forcibly against the US-backed regime. Mungia said that most of the assassinations were the work of the police or military, a situation mirrored in countries that the US controls across Central America.

LIBRE is a rare beacon of hope in Honduras, where a sense of hopelessness pervades. In a country where dissent and democracy is attacked mercilessly, its activists, in the face of violence and murder, are organizing from a grassroots base to take on the oligarchy and their backers in the US embassy. Before they are successful, however, a lot of blood will have to be spilt. It’s the same for those fighting US-backed tyrants around the world, from Egypt to Saudi Arabia. “Honduras is the most anti-democratic country in Latin America,” said Mungia. And of course it has to be this way, because as soon as real democracy appears

and threatens US interests, it will have to be cut down. What the US likes, and promotes, is “low-intensity democracy”, a political system in which there are formal elections every four years but the social relations of the society, the control of a rich elite, is never questioned and the concerns of the country’s poor people are never heard.

Not long before I arrived in Honduras there was what became an infamous massacre. On May 11, a gun helicopter ship, US-owned but apparently Honduras-piloted (and overseen by DEA agents), murdered four people, including two pregnant women. “I wasn’t there in the incident, nor was I here in the country,” Jeff Sandberg said. I asked instead if there were regular firefights between the Honduran military and people they were ambushing. “I don’t know if I would say regularly,” he replied. “But there certainly have been incidents and there will be further incidents of government forces against people involved in the cartels.” I asked about the role of the DEA in such operations. “Mentoring, advising, and building the capacity of the Hondurans to at some point function on their own without our help.” It was the same excuse – of beneficence and aid – that had been used to control South Vietnam, Afghanistan and countless other countries. But many argue that the role of the DEA is much more hands-on. “In this case, that was a police operation not a military operation, and they were in a situation of trying to seize drugs out of a community that had a lot of arms,” Lisa Kubiske, the US ambassador to Honduras, told me in her office in the embassy. What that operation did provoke was massive anti-American feeling in Honduras. Mr Sandberg added: “It’s just part of the politics that goes along with any kind of country that is requesting assistance from another country, wouldn’t have to be just the US. What happens if Hondurans ask Guatemala for assistance, and you have Guatemalan police or troops to assist and an attack happens where some civilians are killed by the Guatemalans, I’m sure the Hondurans would say the

same thing.” The problem for Sandberg and the Americans is that they work militarily in 130 countries around the world – no other country does that. Of course the dynamic is the same: *people don't like outsiders coming in and killing their people*. But those outsiders are nearly always American. Ask an Iraqi or Afghani or Honduran or Guatemalan. The flack representing the embassy at this point reminded me that the Americans were “here at the request of the government, working in areas that the government has identified”. This is the oldest American propaganda line there is. Like all the best propaganda, too, it has a semblance of truth if decontextualized. So, of course, the Honduran government has invited the US, but it's a government the US installed and is backing to the hilt against their own people, so it would be a huge surprise if they rejected US solicitations to base themselves in the country. This is the problem of the American empire: it has to hide itself continually, it has to live in the shadows, not allowing detection, because the country is founded on strong anti-imperialist ideas, and its media class would implode if it reported the truth. So the military bases have to be “forward operating locations”, the military presence has to be at the behest of the “Honduran people”, the military operations have to be operated by Hondurans, and “overseen” by Americans. It's a constant dance to cover up rapacious power and give it the gleam of legitimacy. Once you scratch the surface, however, it falls apart.

## THE ECONOMY OF DESPAIR

Although Honduras is a major military outpost for the US empire, it pales into insignificance when you look at the “tonnes of personnel” (Sandberg) that the US has in Mexico and Colombia. “Every Central American country has DEA personnel assigned in Central America,” Sandberg said. In fact, the US set up multi-billion-dollar



programs in both Mexico (the Mérida Initiative) and in Colombia (Plan Colombia), alongside the Central American Regional Security Initiative (CARSI), the US government program through which it filters money to countries in the region. Sandberg pointed to these two places as evidence of what might be achieved in Honduras. “There are many obstacles. I would say take a look at Colombia and Mexico. How long has it taken Colombia to get its handle on the drug trade and various anti-government entities operating in Colombia, it was a long time frame. Realistically it’s probably what it’s going to take here, but we have had tremendous success in Colombia, and I think we’re starting to have some very good success in Mexico, so it’s possible here.” Colombia, as has been noted, has the worst human rights record in the hemisphere; in Mexico, from 2004 to 2014, 200,000 people were killed in the Drug War fought by the military and the cartels. That’s what Honduras has to look forward to – courtesy of the US. But Sandberg was adamant that it’s the Hondurans who “need to change”, not the US. “Their country, their views, their legal system is what needs to be revamped, and I think that’s probably decades. Generations that have the wrong outlook, maybe, of how things function here, and accept how things function here, that’s what needs to change.” This is traditional imperial mentality. The colonial powers, and their agents, nearly always ascribe any faults in a country they are administering to the cultural mores of the local people. This provides an important function: it stops the colonial powers’ administrators from ever having to question the system that created the mess in the first place, and which they oversee. Another point that the US might consider is that nearly all the demand for these drugs comes from within the US, as well as a large portion of the guns used by the cartels. If the US government could reduce the demand for drugs and supply of guns, the violence might very well start to abate.

In the big debate about the Drug War, most politicians turn to simple demonization of cartels and their members, as well as the trade itself. The cartels are brutal organizations, but they are a product of a destroyed economy. When young kids are growing up in Honduras or northern Mexico, and their choice is between a life of penury in the formal economy or joining a cartel and becoming fabulously wealthy, unsurprisingly they often choose the latter. In the May 11 killings, for example, even if the people killed were guilty, they are likely to have been dirt-poor kids moving product up the river because they had no other option. DEA agent Sandberg had actually put his finger on the problem, when I asked why there were such high levels of violence in Honduras: “I think because the legal system in Honduras and the other social systems are so broken that there’s no impunity for people to not commit a crime, so it doesn’t have to be focused or because of drugs, it’s just a crime of opportunity or because you have a tonne of people who are living in poverty, people are trying to literally stay alive, and if that means committing a crime to get what is required to stay alive, then so be it. So I don’t attribute it all to drugs and cartels.” He did not, however, connect the state that Honduras was in to the fact that it had been the recipient of continuous US intervention. Was it a coincidence that Haiti, Honduras, and all the rest of these countries controlled by the US, were in tatters? Forcefully wrenching control from the people of any country, making it a dependency, a slave state for foreign capital, would, of course, not benefit the majority of the population.

Honduras economically is a playground for American capitalists, having been cursed by various neoliberal institutions. The multinationals operating in Honduras have nearly all been given tax-free holidays of up to 20 years to locate in Tegucigalpa, which has decimated government revenues. It is part of the reason why the justice institutions, education and health are so chronically underfunded.

The profits are repatriated to the US and other western capitals, while the Hondurans spend their money in their restaurants. In this sense, Honduras is one of those unfortunate places where many facets of US imperial power converge – the neoliberal economics, the support for the military institution, the hysterical anti-leftist ideology. In such a situation, for people to retain their dignity and shake off the oppressor is extremely difficult. These tensions and problems contribute to the sluggish economy. When I was there, a “model cities” project was seen as a way to kick-start the economy, through creating privately run cities on Honduran land where immigrants from across Latin America could come to work in the *maquiladoras* (sweatshops). It was, however, rejected by the Honduran Supreme Court in October 2012 as “unconstitutional”, but it will, without doubt, be back.

“If you want security for citizens it’s interrelated with socio-economic conditions of country,” said US ambassador Kubiske. “If you have people who can earn enough money, they don’t have to be tempted by criminal activity. If they think there are no options, they may be tempted.” True – but the US has kept Honduras chronically undeveloped. Like Haiti, Honduras experienced neoliberal economics on top of an already desperate situation. Hurricane Mitch, which hit in 2002, destroyed large parts of the infrastructure of the country and the livelihoods of many thousands. There was a big surge in male migration up to 2006. Then after that there was a big internal migration, mainly of women who moved toward the *maquila* sector. The majority of these “free trade zones” were in the north, like San Pedro Sula, which is now the most deadly city in the world. As late journalist Charles Bowden has pointed out, this mix of ultra-violence and ultra-capitalism is an apocalyptic vision of all our futures, as capital reforms governments around the world to make their people slave to it. Honduras is a very unequal society, as are most US client states. The concentration of

income that is being captured by the top 10 percent of the population is growing, while the percentage that has been captured by the poorest 20 percent is decreasing, from about 3.7 percent of national income to just over 2 percent over the last decade. This inequality and the blatant consumerism are evidence that there is a section of the population who are concentrating income, which inevitably leads to violence – petty and otherwise.

Debt, both internal and foreign, is also beginning to grow in Honduras. There is an urgent need for job creation that is not dependent on the sweatshops, as it is difficult for the Hondurans to compete with China on wages. Zelaya tried to raise minimum wage by 61 percent overnight to give some dignity back to the poorest Hondurans. The economy did not break down as had been predicted by the oligarchs, and the fact that they were able to pay it shows just how much money had been accumulated.

One industrial park now has 18,000 workers in one spot, making textiles, clothes and footballs. Sally O’Neil, head of Irish charity Troicairé, based in Tegus, told me: “When you got to the *maquilas* in Honduras, the really big ones that make Christian Dior, the workers aren’t even allowed to bring in their handbags, it’s incredible. We’re working with a women’s organization, which work on occupational issues like repetitive damage to people working for hours on the things. We weren’t allowed to ask any questions or talk to any of the workers, but [when] we met the women afterwards we found out they have to have a pregnancy test every month. The women were given handouts. When they go through the turnstile in to work, they put their hands out, and they have to take the pill; before they used to throw it away, now they have to swallow it. You have to swallow it before you go out in front of them. Another one where the women we work with, they go in the morning, there’s a big sack and you put your hand and take out

a piece of paper and the piece of paper will have a time on it, and that's the time you can go to the loo, your one toilet stop. But you can start work at 6am and your toilet stop may be 7.15pm."

## EXCUSES

I was granted the interview with Lisa Kubiske, whose first ambassadorship this was, probably because so few journalists were making it to Tegucigalpa, as the story was no longer "sexy" – another country destroyed by America, and forgotten. "If we have in Honduras a place that is democratic, and economically prosperous and has social inclusion for its people, has strong institutions of government, strong democratic institutions, that's good for Honduras, it's good for the region, and it's good for the US in a lot of different ways," she told me. Except I knew that wasn't true. A truly democratic Honduras, where the will of its population would be put ahead of the interests of foreign multinationals and the local oligarchs, was exactly what the US didn't want to see and had helped to shut down. Ms Kubiske refrained from mentioning that the US has implicitly backed a coup against a government whose biggest crime was raising the minimum wage, which would have pulled many people out of poverty.

So I asked about US support for the Lobo administration, which was a coup government that won the election merely because many did not vote in what they called an "illegitimate" contest. "Not only do we work with the elected government of the country if you think they were elected in a legitimate election, the reason we think that is because they were the candidates selected in primaries. We recognized this result." I asked if the coup made the situation worse, as many in Honduras hold, and whether the elections were illegitimate. "The violence of this society is perpetrated by many different actors, and that's the first

thing,” she replied. “The second thing is there has been a rising trend in violence that goes back several years before the coup. I’m going to say something like 2004, 2005, but you can look it up. So to say that the violence is a result of the coup, I wouldn’t say that. I wouldn’t say that.” She added: “They have other cultural weaknesses. For many years they had problems with how they treated women – women getting killed, beat up, that kind of thing. The family issues, that’s been there, it’s just worsened in the last few years.”

I mentioned that the militarization of law enforcement and drug interdiction, under the aegis of US forces and policy, has made the situation worse and resulted in murders like those on May 11. “I wouldn’t characterize them as murders,” the flack interrupted. “Killings, then,” I said, and added, “some people say ‘we are a sovereign country, we don’t need the superpower upstairs here with their trained officials’”. Ambassador Kubiske answered: “I would refer them to surveys about US participations in their country. Firstly, we do really just go where we’re invited.” She said that most Hondurans ask for *more* intervention and use of Soto Cano as a counter-drugs base (which it already is). For a long time, the Honduran military had a fearsome reputation and was hated by the population for its brutality and human rights abuses. Now, the coin has flipped and the police are feared while the military enjoys a better reputation. This is not a sign of progress, but rather how far in people’s estimation the police have fallen.

I mentioned I had spoken to human rights groups in Honduras, and Ambassador Kubiske shot back, “They don’t all have the same views”, which means that there are some critical and some supportive of the US. One of the major features of US imperial strategy is to maintain a pretense of an open civil society inside “low-intensity democracies” and then put money into certain human rights NGOs which are supportive of the US and its policies. So it looks as though the US is contributing

to a vibrant civil society and human rights system, but actually it is creating bodies that shore up its position. It is structurally impossible for these organizations to threaten to upset the social relations of the country or impinge on the US-backed oligarchs. So you get “human rights” and control, with no need for a crisis of conscience.

Of course, the US doesn't control all civil society groups, and so the ones outside US control, like Cofadeh, support groups that fight for justice on a more general level. For this reason, they must be discredited. Cofadeh had asked me why it was that the US embassy released a strong statement after a lawyer was killed in Tegus, but had said nothing about the campesinos in Aguan Valley where private militias rented by the local oligarchs to clear the land of protests and occupation murdered 80 people. “It's very complicated,” said Ambassador Kubiske, in a common refrain from US officials overseeing an unjust policy. “It could be private guards, one time it could be one campesino group on another campesino group, one time it could be narcos. So for what we're seeing, we're seeing lots and lots of different motives.”

The case in Aguan was horrific – the wanton murder of powerless campesinos by private militias controlled by some of the wealthiest people in the region – but for the US embassy it was “complicated” because admitting that this was a horror show would mean taking on the oligarchs who represented their interests in the country and the region. “I think we're known in general society for being quite an active voice on behalf of human rights because it is important to us,” said Ms Kubiske, ignoring the reality beyond the walls of the US embassy. When I asked about the huge private armies amassed by the oligarchs, she legitimized it as a natural reaction. “I can't comment on Facussé himself, but I've lived in a lot of countries that have weak police systems, and when you don't think you are getting adequate security from the state, you tend to go and pay for your own to do that. What I've seen in Honduras and

elsewhere before are middle-class people on up hiring private guards, lots of them because they can, the police aren't there when you need them. That's what I think is going on, I think it's a natural response." A natural response. The people of Honduras had been beaten down to the point where only a whimper could be heard. But elsewhere in the continent people were breaking free of the vast web of control the racket had imposed on the region. Welcome to Bolivia.



# NINE

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# WAR ON HOPE

## LA PAZ, BOLIVIA

In the middle of the night on April 16, 2009, an elite Bolivian police unit entered the four-star Hotel Las Americas situated in the eastern city of Santa Cruz, a hotbed of opposition to the President Evo Morales's government. Flown in from the capital, La Paz, the commandos planned to raid a group of men staying in the upscale lodgings. What happened in the early hours of that morning is still disputed, but at the end of the operation, three men who were asleep in bed had been killed in cold blood. Some say they were executed, while the Bolivian government claims its officers won out in a 20-minute firefight. In the aftermath, the story gained international attention when it was revealed that two of the dead were not even Bolivian. One was Michael Dwyer, a 26-year-old Irishman from County Cork, where he had been a bouncer and security guard before moving to Santa Cruz just six months earlier. Another, Árpád Magyarosi, was Hungarian-Romanian, and had been a teacher and musician before relocating to Bolivia at the same time. The third person killed in the operation was the ringleader of the group, Eduardo Rózsa-Flores, an eccentric Bolivian-Hungarian who had been born in Santa Cruz before fleeing the country during the US-

backed dictatorship of Hugo Banzer in the 1970s. His family moved to Chile before the ascent of another US-backed dictator in that country, General Augusto Pinochet, and resettled finally in Hungary. Rózsa was a supporter of Opus Dei, the right-wing Catholic sect, and fought in the Croatian independence war in the early 1990s, founding the paramilitary International Platoon that many believed was aligned with fascistic elements. Two journalists, including a British photographer, died in suspicious circumstances while investigating the platoon. In Santa Cruz on that night, two others, Mario Tadic, a Croatian, and Előd Tóásó, also from Hungary, were arrested and remain in a high-security La Paz prison to this day. Two more suspects, both with Eastern European connections, were not at the scene and are still missing.

It transpired that the government had acted on intelligence indicating that these men comprised a cell of terrorists who were planning a program of war and violence in the country, which included a somewhat bizarre plan to blow up Evo Morales, the president, and his cabinet on Lake Titicaca, the biggest lake in the Andes and a major tourist attraction. The intelligence services, after a tip-off from an informer close to the group, had been following them for a number of months. They decided to act soon after a bomb exploded at the house of the Archbishop of Santa Cruz, Cardinal Julio Terrazas. The government appointed a seven-person committee to investigate the plot, headed by César Navarro, deputy minister for coordination with social movements and civil society, which spent the next five months until November 2009 looking into it. Among the items seized during the raid was Rózsa's laptop in which investigators claim to have discovered emails between ex-CIA asset and Cold War double-agent István Belovai. "There are emails between Rózsa and Belovai, he was the brains behind it," Mr Navarro told me in his office in the presidential palace in La Paz. "He would ask them logistical questions about escape

routes, about whether the government or police would be able to get to them.” Belovai, who died in 2010, was a spook who called himself “Hungary’s first NATO soldier”. Rózsa is thought to have become friends with Belovai in the 1990s during the Balkan war.

At the time of the attacks, the attitude of the US embassy, revealed through the cables sent from La Paz to Washington, was one of incredulity at the government’s claims and worry about persecution of the opposition. One comment was headlined ““Terrorism” excuse for mass arrests?” The US embassy was concerned about “raising fears of possible arrests of members of the Santa Cruz-based political opposition”. Another cable did admit that in “an interview released posthumously, the group’s leader [Rózsa] advocated the secession of Santa Cruz department, Bolivia’s largest and most prosperous state”. The reaction from the opposition was no less sympathetic. The right-wing governor of Santa Cruz, Rubén Costas, accused the Movimiento al Socialismo (MAS) government of “mounting a show” in the aftermath. The photos released by the government afterward told a different story. Rózsa and Dwyer can be seen posing with large caches of heavy weaponry including pistols and sub-machine guns, and a large rifle with telescopic sights. President Morales said the cell was planning to “riddle us with bullets”. A US embassy official met with a public defender assigned to alleged terrorist Tadic. She told the official that “the Santa Cruz leaders named by the government are most likely linked with the group” – these leaders were in fact intimately involved with the US embassy. Tadic, she said, had been stockpiling weapons and carrying out military training on rural properties outside Santa Cruz. She confirmed they were responsible for placing the explosive device in front of the cardinal’s house, while Tadic had testified that the next target was going to be Prefect Rubén Costas’ residence, and that Rózsa had advised Costas to strengthen

his security gate to minimize the damage. The intent in targeting the cardinal and the prefect was to make it look like MAS supporters were carrying out the attacks.

The fact that the alleged terrorists were staying in a four-star hotel with no discernible day job suggested they must have had money coming from somewhere. The pictures of these foreigners partying in Santa Cruz – subsequently released – also show they were accepted and welcomed openly by some powerbrokers in the city – it seemed to go all the way to the top, even the prefect of the department. But none came more powerful than Branko Marinkovic, a local oligarch of Croatian origin, who had been a long-time friend of the US embassy and is now in exile in the US after being identified as one of those “most likely” to have been involved with the terrorist group. Juan Kudelka, Marinkovic’s right-hand man, said in March 2010 that he had been asked by Marinkovic to pass envelopes of money to Rózsa as part of the plan to support this terrorist group, called, he said, “La Torre”. Another suspect, Hugo Achá Melgar, a keen friend of a strange human rights group in New York, also soon fled to the US, where he was also welcomed with open arms. “[T]here are several factors that could induce the [government of Bolivia] to connect us to suspected extremist groups in Santa Cruz,” noted one US embassy cable released by WikiLeaks. “The petition of political asylum from alleged terrorist Hugo Acha and his wife, allocation of USAID assistance to a Bolivian organization suspected of funding a terrorist cell in Santa Cruz, and an implied [US Government] role based on the [Government of Bolivia’s] assertion that the Santa Cruz cell leader organized meetings and had contacts in Washington.” All of these assertions turned out to be true; in fact, the situation was worse than that. The US planned to bring the opposition from all over the country together in a supra-departmental business lobby in an effort to rid Bolivia of its socialist government.

## THE RACKET

At the time, the US embassy “reassured” Vice President Álvaro García Linera “that there was no US government involvement”, and President Obama vouched for that too when asked by President Morales soon after. But Mr Navarro, the investigator, still didn’t believe it. “The US didn’t not know,” he told me. When I brought Vice President Linera into the *Financial Times* office in London to speak to the union at the paper, he told me: “Nothing like this happens in Bolivia without the US knowing something about it.” Even if we assume the US embassy didn’t know of the cell, why would the US then provide a sanctuary to alleged funders of “terrorists” whose own public defender was telling the embassy that they were “most likely” guilty? The answer is long and complex and reveals the lengths to which the US has gone to undermine the democratically elected government of Evo Morales since it came to power in 2005.

## TURNING THE TIDE

The raid and the deaths came at a pivotal moment in Bolivian history. At that time the poorest country in South America, it also had the highest proportion of indigenous people in the continent – 60 percent. In December 2005, there was a tectonic shift in the power structure of the nation, unheard of since independence from Spain, when the country elected its first ever indigenous president, the socialist trade union leader Evo Morales. It wasn’t a sudden development but followed decades of confrontation and public protests that had escalated in the previous five years. In 2000, the so-called “Water Wars”, centered in the city of Cochabamba in the middle of the country, had pitched the local communities en masse against the government and the World Bank which had overseen the privatization of the water industry and resultant soaring prices. Police had been instructed to arrest people

collecting rainwater to avoid the new prices they could not afford. Over the next years, the indigenous movement, which is based around small micro-democratic communities, grew stronger. In 2003, mass protests spread and thousands of demonstrators went on to blockade La Paz before troops, allegedly under orders of the government, shot dead a score of protesters.

The presidential incumbent, Gonzalo Sánchez de Lozada, more commonly known as Goni, was forced out and fled to Miami, where he lives to this day. It was in this ferment that Morales, a former *cocalero* (coca picker) turned trade union leader, and his party, MAS, came to power with a huge take of the popular vote. This turn of events, however, was not greeted kindly by the traditional elites in Bolivia and their international backers. The US had been sending its own political “experts” for years to try to avoid exactly this scenario: a 2005 documentary, *Our Brand is Crisis*, shows a team of slick campaign managers from Greenberg Carville Shrum, the political consultancy, successfully running Goni’s campaign as he defeated Evo Morales in the 2002 presidential elections. This time it was different: the US was powerless to stop Morales, causing serious worry among planners. Bolivia remains one of the most unequal societies in the western hemisphere, but the established state of affairs had made some people very rich. As the *New York Times* put it when describing Santa Cruz: “Scenes of extreme poverty stand in contrast here with the construction of garish new headquarters of corporations from Brazil, Europe and the United States.” On top of this, the land distribution has led some analysts to describe the set-up as akin to “semi-feudal provinces dominated by semi-feudal estates”. Five percent of the landowners control over 90 percent of the arable land. When MAS came to power it sought to deal with this egregious inequality, which is marked pretty consistently along race lines, with the poor landless peasants largely

comprising the indigenous population. As always, the US supported the oligarchy, which in turn supported the continued slavery of the country to US corporations.

A land reform program was started by Morales to break up the huge rural estates that had long been controlled by a small elite and to redistribute land that was fallow to landless indigenous peasants. The government stipulated that private ownership of huge estates would only be acceptable if put to “social use”. But a plan like that was going to engender vociferous opposition from an entrenched elite that felt it was being usurped. One particularly illustrative case is that of Ronald Larsen, a 67-year-old American from Montana, who came to Bolivia in 1968 and who, by the time President Morales came to power, owned 17 properties throughout Bolivia (along with his sons), comprising 141,000 acres, or three times the size of the country’s biggest city. The new Bolivian government accused Mr Larsen of keeping indigenous Guarani farmers as “virtual slaves”, and tried to deliver seeds to them to help them escape from servitude. Mr Larsen responded: “These people, their main thing in life is where they’re going to get their next bowl of rice. A few bags of rice buys a lot of support.”<sup>1</sup> The government reported that it was fired on as it tried to deliver the said rice.

The reaction to land reform from the east of the country, where the majority of natural resources and wealth is located, was near hysterical. A class of magnates – most of European descent – own many of the businesses there and, over the next three years, with their allies in the *media luna* (the crescent-shaped “opposition” area of the country) worked to bring down the new President Morales. The US government and its agencies, which had for decades exercised overwhelming economic and political power over Bolivia in tandem with these newly displaced

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1 Frank Bajak, “US rancher at center stage in Bolivia land dispute”, *Associated Press*, February 8, 2009.

elites, was not a benign player in this period. It actively worked to help the opposition and undermine the democratically elected government. The spider web of US control was, and is, extensive, with many US agencies created at the height of the Cold War still in place, civilized language hiding their use, first, as a tool against Soviet influence in the region, and now to undermine the democratic socialism of MAS. Despite vast natural gas reserves, these agencies, alongside transnational corporations and their local *compradors* in government, have conspired to keep Bolivia the second-poorest country, and among the most unequal, in South America.

When the MAS government threatened to upend that social order, it was logical that the US would be nervous. One of President Morales' first acts in power was to shutter the CIA office that had until then, he said, been operating in the presidential palace. Morales' claims that the various agencies that make up the US foreign policy apparatus have been giving covert support to the opposition are dismissed by the US government as "conspiracy theories". Alongside the US government, a score of non-governmental institutions, some headquartered in New York, or US-ally Colombia, have been working to undermine the democratic government in Bolivia and continue to this day.

## PAYING CLANDESTINE VISITS

When I interviewed César Navarro, who headed the investigation of the April 2009 incident, in his office lined with pictures of Che Guevara and prominent members of Bolivian civil society, he spoke at 100 miles an hour, desperate to get all the information out as quickly as possible. "Rózsa didn't come here by himself, they brought him," he told me. "Hugo Achá Melgar brought him." The prosecutor in the case had charged that one of Achá's business cards was found in the backpack of



one of the alleged terrorists. Further, it was claimed that Achá met with Rózsa on at least three occasions, while testimony from other terrorist suspects in custody implicated Achá as a financial supporter of the group. The Bolivian government has tried to request the extradition of Achá, who is currently in the United States, to no avail.

Achá's story reveals a long trail that leads all the way to a set of plush offices in the midtown area of Manhattan. The husband of a prominent opposition congresswoman, Achá was the founder and head of a Bolivian version of the Human Rights Foundation (HRF), an American non-governmental organization (NGO) based in New York. Not very well known – but boasting Elie Wiesel and Václav Havel on its “international council” – the HRF was founded in 2005 by a character atypical of the NGO and human rights world. A rich playboy-cum-political talking head, Thor Halvorssen could be spotted on the Manhattan party scene, as well as giving his two-pennies-worth on Fox News.

His foundation is not typical either – Mr Halvorssen told *The Economist* in 2010 that he wanted his organization to break from the traditional NGO mold. First his group had an overt agenda, the magazine said, focusing “mainly on the sins of leftist regimes in Latin America”. But his tactics were different, too. “With the confidence of a new kid on the block,” the article continued, “he argues that the big players in human rights have become too bureaucratic, and disinclined to do bold things like pay clandestine visits to repressive countries.” From his midtown Manhattan office, Halvorssen said: “They work in these big marbled offices, where’s the heart in that?” It was in the dusty streets of La Paz that he wanted to be. In many ways, Halvorssen was merely a chip off the old block. HRF’s obsession with the “repressive” governments of, particularly, Venezuela and Bolivia was not something new to the family. Neither were clandestine activities. Halvorssen’s father, Thor Halvorssen Hellum, is a Venezuelan businessman, the head

of one of the richest families in the country. In 1993, he was arrested and charged with homicide and other counts after a group of terrorists set off a series of six bombs around the capital, Caracas. It was named the “yuppie” terrorists plot because its planners were allegedly bankers and other gilded elite who hoped that the panic caused by the bombs would help them speculate on the stock market. The *Houston Chronicle* noted at the time: “Police have identified one alleged mastermind as Thor Halvorssen, a former president of telephone company CANTV, former presidentially-appointed anti-drug commissioner, and, according to officials, a former operative of the US Central Intelligence Agency in Central America.” Halvorssen Hellum eventually spent 74 days in prison before a superior court judge found him innocent of attempted homicide and all other charges related to the bombings. Many found the decision murky. And two hours after his release, another “human rights” NGO, the International Society for Human Rights, appointed him director of its Pan-American committee. During a CIA “anti-drug” campaign in Venezuela, which saw a ton of nearly pure cocaine shipped to the US in 1990, Mr Halvorssen Hellum, in his position as narcotics chief, was again in trouble. The *New York Times* reported that “[t]he DEA discovered that Halvorssen, who had his own links to the CIA, was using information from DEA cases to smear political and business rivals”.

Like father like son. Halvorssen Jnr’s own human rights project, the HRF, was set up, he said, to help in “defending human rights and promoting liberal democracy in the Americas”. HRF “will research and report on human rights abuses” and “produce memoranda, independent analyses, and policy reports”. But it is clear that the organization is set up, primarily, to malign the governments of Venezuela and Bolivia. It did have sizeable funds to carry out its tasks. The group’s financial accounts make interesting reading. In the year ending December 31,

## THE RACKET

2006, the first full year of operations, the group spent \$300,518 on its programs. By the next year, ending 2007, this had more than doubled to \$644,163. In 2008, this had gone down to \$595,977, but it surged again in 2009 to \$832,532, as political violence was reaching a head in Bolivia. Interestingly, in the year ended 2008, “general programs”, which was the highest spending category, was \$85,525, or 14.4 percent of total spending on “program services”. By 2009, “general programs” spending was up 813 percent to \$458,840, and comprised 55 percent of total spending. In the four years from 2006 to 2009, HRF has spent nearly \$2.6 million on running costs. But where was the money going? We do know thanks to the WikiLeaks cables that when Branko Marinkovic, the oligarch, fled to the US from Bolivia, one of his first ports of calls was the HRF office in Manhattan. Unfortunately, we don’t know what they talked about. In its six years of operations, the group has released two 30-odd page annual reports, and 16 other reports on varying topics related to “repressive governments”. To be fair, the group did organize an Oslo human rights conference which, one *Wall Street Journal* journalist noted, was “unlike any human-rights conference I’ve ever attended”, because “there was no desire to blame ... the US or other Western nations”.

In the same article, Mr Halvorssen laughed off claims that he, like his father, was in cahoots with the CIA, calling such claims “conspiracy theories”. But links between his group and Achá, the man accused of buying the tickets for the terrorists in Santa Cruz, were closer than he let on. Mr Halvorssen maintained that the Bolivian group was “inspired by HRF’s work” but is “a group of Bolivian individuals ... a wholly independent group with a board of directors made up entirely of Bolivian nationals”. Really? Achá was briefing the US embassy on his problems all through the period and officers from the embassy met with him in “his capacity as head of Human Rights Foundation

– Bolivia”, which the embassy was told was tightly linked to the New York-based organization. One cable notes that Achá’s outfit is “an affiliate of the larger Human Rights Foundation group” – the one headed by Mr Halvorssen.

The HRF group in New York naturally still denies any wrongdoing by Achá, and is, according to some, likely helping him in his efforts to remain in the US. Its spokesperson told the press that “Human Rights Foundation in Bolivia has carried out extraordinary work denouncing human rights abuses in that country, and unfortunately the response of Morales comes in the form of insults and unfounded accusations ... We have carried out an internal review and have found no evidence that Mr. Acha is linked to the group that the government claims is carrying out separatist activities.” As WikiLeaks cables reveal, the group further accused President Morales of “vilifying the reputation” of HRF due to HRF–Bolivia’s reporting on the “destruction of democratic institutions, the grand human rights violations in Bolivia” and the “anti-democratic character of the Morales Administration”. It was a typical response. The Bolivian human rights ombudsman (Defensor del Pueblo) Waldo Albarracin, referring specifically to the Human Rights Foundation, told the US embassy: “they do not have the facts and so any opinion they have is just that, an opinion.”

Achá was at one point arrested on suspicion of being involved in the plot. The cables reveal the concern of the embassy over the arrest of this “Embassy contact and leader of a human rights NGO”. Achá had even given the embassy a copy of the warrant for his arrest, which he linked to his “investigations” into a massacre in the Pando department of Bolivia (carried out, in fact, by far-right elements of the opposition). But, like many of the opposition figures, he was successful in persuading the US to grant him political asylum. The cable ends by saying that “Acha is currently in the US”. Providing a sanctuary

for Bolivian suspects would become a theme of US policy. In fact, the US had been active in his alleged terrorist education. According to the WikiLeaks cables, Achá had actually participated in a Center for Hemispheric Defense Studies “Terrorism and Counterinsurgency” course in Washington in late 2008 – one assumes to gain knowledge for his own violent “counter-insurgency” terrorism back in Bolivia. Included in the course’s mandatory reading were “Left Wing Terrorism in Italy” by Donatella della Porta and “Lenin on Armed Insurrection” by Tony Cliff.

Roger Pinto, a senator for the opposition party, Podemos, told the US embassy that the government “has evidence that Acha was involved with the alleged Santa Cruz cell”. He added that Achá was involved in trying to solicit funds for the group from opposition leaders in the *media luna*, the opposition stronghold, but only in order to “set up a self-defense force for the Media . . . not to assassinate the President”. Pinto contended that, among others, Achá had approached the mayor of the central city of Trinidad, Moises Shriqui, with Rózsa to enlist his support. Pinto said that Shriqui flatly refused to get involved and discounted the group as “a really bad idea”. Another opposition Podemos deputy, Claudio Banegas, told the US embassy that the congressional investigation into the Santa Cruz group had revealed that Achá did in fact have a relationship with the cell. His colleague said his involvement was “not at the top of the lighthouse, just at the bottom”. In another cable from La Paz, Achá is called a “human rights lawyer” and it is noted that political officers from the embassy met twice with him in Santa Cruz while he was investigating the September 2008 massacre of indigenous peasants in the Pando department of Bolivia. “He was preparing a report detailing a high degree of Morales administration involvement to provoke violence in Pando,” the cable added. Halvorsen never mentioned whether this “wholly independent group” had received funding from the HRF for

the task, but his own group came to similar politically motivated and erroneous conclusions about the Pando massacre. Incidentally, Thor Halvorssen contacted the *Financial Times* soon after I asked for an interview with a résumé of my apparent “radicalism” and precipitated my departure from the paper. These “believers in freedom”, as mentioned, only believe in freedom when it benefits them.

## LA ESPAÑA GLORIOSA

Bolivian people, and particularly the business community in the country, have always had a strong disdain for a central government they see as interfering and stifling. To this purpose, in most areas of the country, there are institutions called civic committees, which organize and represent business interests. They have become especially important in the opposition stronghold of the *media luna*. In Santa Cruz, where the Rózsa group was foiled, the civic committee has become the major non-governmental voice of opposition to Evo Morales. Its presidency has been held by some of the most powerful businessmen and politicians in the country, including Rubén Costas, the current governor of Santa Cruz. Its funding comes from 220 businesses in the department. In its internal report on civil society in Bolivia (which I obtained through the Freedom of Information Act), the United States Agency for International Development (USAID) reported that the two main columns on either side of the state are “the civic committees [...] on the right, and the large labor organizations on the left”. There have been accusations that the Santa Cruz civic committee (SCCC) has members with fascist leanings involved in violence against indigenous citizens, particularly in the affiliated youth branch. Ignacio Mendoza, a senator in Sucre, who is part of the left-wing opposition to MAS, told me: “Against us there is the Santa Cruz Civic Committee and the Youth

Union, which is a neo-fascist group. These groups always threaten.” In the *New York Times*, correspondent Simon Romero noted: “It is no surprise that many Bolivian supporters of Mr. Morales view Santa Cruz as a redoubt of racism and elitism.” He added: “This city remains a bastion of openly xenophobic groups like the Bolivian Socialist Falange, whose hand-in-air salute draws inspiration from the fascist Falange of the late Spanish dictator, Francisco Franco.”

This would appear to include the SCCC. At the conclusion of a series of interviews at SCCC’s offices, the group’s spokesperson inexplicably allowed me to download a tranche of files from the computer in the main office. These included racist cartoons of Evo Morales, as well as a poem lauding the old colonial country, Spain.

One reads (my translation):

*The grand Spain  
with benign fate.  
Here he planted the sign  
Of surrender.  
And it did in its shadow  
An eminent people  
Of clear front  
A loyal heart*

There is also a letter titled Filial Espana (Spanish affiliate) sent by the president of the committee to the president of the far-right civic committee in Spain, Carlos Duran Banegas, thanking him for his support and help. Another folder includes a coat of arms for Germán Busch who was a president of Bolivia in the 1930s and was believed by many Bolivians to have Nazi tendencies. Reports by the fascist-linked grouping UnoAmerica also feature prominently on the SCCC

computer. In fact, among the documents there are photos taken, one must assume, by an SCCC photographer of UnoAmerica delivering its report on Pando to the Organization of American States (OAS) in New York.

The computer files I retrieved were also full of unhinged documents calling Chávez and Morales terrorists. One reporter accurately noted that the SCCC is “a sparkplug of separatist agitation in the East”. Despite these leanings, the US taxpayer, through USAID, is funding members of this group. In the WikiLeaks cables, under the subtitle “Blowing Smoke”, an August 2007 dispatch makes fun of Bolivian government claims about USAID activities being used to help the opposition. But inadvertently this proved it. It noted: “[a]nother USAID contractor, Juan Carlos Urenda (a Santa Cruz civic leader) described the MAS accusations as an attempt to cast a smokescreen over the ‘serious problems in this country.’” A search in the trove of documents from the SCCC’s computer turns up the same Mr Urenda, USAID contractor, as the author for the SCCC of a long article lauding the history of the department’s autonomy struggle. A prominent lawyer in the east, in 1987 he published a book called *Departmental Autonomies*, which, he noted, “outlines what will be the fundamental doctrine of the process of autonomy”. He went on: “Conscious of the error of having structured the country in a centralized way, [Santa Cruz] has not ceased in its attempt to decentralize the state throughout its republican history.”<sup>2</sup>

It turns out that Mr Urenda was actually one of the founders of the SCCC’s pre-autonomy council and one of the area’s most prominent ideologues. This finding makes a mockery of USAID’s claim to be apolitical. As its own report noted: “it is clear that Bolivian civil

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<sup>2</sup> Contained in documents obtained from SCCC computer.



society in the first columns on both sides [civic committees and labor organizations] are playing roles that are less social and more political and governmental.”<sup>3</sup> Although they shy away from talking about direct aid, the top brass of the SCCC were full of praise for USAID when I talked to them. Documents from the computer also show extensive preparations for the Ferexpo 2007, a business show in the city, which US ambassador Philip Goldberg would attend. “USAID in Bolivia was supporting democratic organizations and tourism and fairs,” said Ruben Dario Mendez, the spokesperson. “They were interested in fomenting political participation. Evo doesn’t like that, he doesn’t like there to be freedom.”

It’s not just USAID that helps out. Mr Mendez noted that the Journalists’ Association of Santa Cruz has an agreement with the US embassy that helps them print books and put on events, an agreement which is not in place in other parts of the country. “In some cases the US helps us,” he said. “Anyone can submit a proposal to get help. I have attended events about political governance, about freedom of expression, human rights,” he added. “There was a new penal prosecution code, and a workshop on that has been carried out by USAID for years.” He was still optimistic about the ability of USAID to go about its work: “There are still organizations and people in Santa Cruz who believe in democracy. This was proved the other day when I went to the opening of a center for the support of democracy, USAID helped fund this, they work with the university president, and the vice-president of the civic committee helped set this up.” He obviously thought that USAID believed in his type of democracy. “We have a totalitarian system here, if there was a democratic government there wouldn’t be a problem here. The biggest problem in Bolivia is centralism.” (A view

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3 Matt Kennard, “Bolivian democracy vs the United States”, *OpenDemocracy*, June 3, 2013.

echoed in USAID's reports.) The extensive cache of reports from both organizations on the office computer also reveals the links between the SCCC and the NGOs HRF and UnoAmerica. These were evidently being sent out as primers on the situation in Bolivia.

I found more evidence of US support for these right-wing opposition forces in Sucre, the judicial capital of the country, where in August 2006 President Morales announced the opening of the constituent assembly. It would spend six months redrafting the constitution with enhanced rights for indigenous communities, more economic control of the country's resources, as well as land reform. It was eventually passed by a referendum in 2009. "Sucre is like the dividing line between the east and the altiplano [poorer indigenous west] so the idea was it was a place that could bring peace between the two peoples," Mr Mendoza, the left-wing senator, told me as we sat in the local government headquarters. "But radical groups here connected themselves with Santa Cruz and all of a sudden it became about something bigger." The whole process was marred by violence, as the opposition set out to scupper the process. "It all comes down to racism," he added. "The constituent assembly was largely made up of indigenous farmers and that prompted racism. People were saying, 'Whoever doesn't jump is a llama', acting superior to indigenous people and calling them llamas because they are from the altiplano."

As the killings and lootings got under way, the US made no statement of condemnation. "They are setting fire to gas pipelines, and the US government does not condemn that?" asked Morales at the time. "Of course, they know they [the opposition groups] are their allies. So why would they denounce them?" He was right.

The tactics used by the SCCC mirrored those used in Chile when the US was trying to destabilize the government of Salvador Allende in the early 1970s; he was eventually taken out in a US-backed anti-

democratic coup. In Bolivia, there was the violence from the local youth groups but also strikes – this time organized by the business elites – designed to bring the country to its knees and keep goods from being delivered to the west of the country. The Confederation of Private Businesses called for a national shutdown if the government refused “to change its economic policies”. Altogether this was called a “civic coup”. It failed, but around the same time the US was trying to rejuvenate the opposition, according to evidence uncovered during my time there. While in Sucre, I talked to the civic committee for the department of Chuquisaca, in which the city sits, still an opposition stronghold. Félix Patzi, the president, described the civic committee’s role as keeping “an eye on government projects to make sure they follow through on their promises”. But the US embassy had been in contact with a staggering request, he recalled. “They made an offer years ago. They wanted to finance a meeting of all the civic committees in the country to bring them together in 2007,” he said. The idea was “to bring together the works of the different civic committees to encourage communication between them”. He added: “I don’t know why the US did it, but we heard from Santa Cruz that the idea was to create a national civic committee.” The US obviously knew (from its own internal documents) that such a national civic committee would be right wing and take on a political and governmental role. That must have been its intention. Mr Patzi said the Chuquisaca committee refused because it doesn’t receive outside funding, but, he added, “I don’t how many other civic committees have accepted money from the US.”

Back at the SCCC I talked to other officials who gave the impression of a tight relationship with the US. “We’ve always tried to work so that civil society in Bolivia has its own place to develop,” said Nicolas Ribera Cardozo, vice president of the SCCC. “We’ve always had a conversation with the US about it.” He said that in the

past year-and-a-half as vice president he had had two conversations with the head of communications and publications at the embassy. “What they put across was how they could strengthen channels of communication,” he said. “The embassy said that they would help us in our communication work and they have a series of publications where they were putting forward their ideas.” But things were even better under Bush. “There were better programs under Bush; there were programs from USAID and DEA [the US Drug Enforcement Administration] to deal with narco-trafficking.” He added that the US-funded National Endowment for Democracy had “held informative workshops for young people about leadership”. For him it was not controversial that these programs were designed to help the opposition. “Of course they were opposition, it’s a liberal train of thought, you train people to be more aware, productive.”

The most controversial aspect of the SCCC is its youth branch, the Unión Juvenil Cruceñista (UJC), who have been called by one Bolivia analyst “paramilitary shock-troops”. They roam the streets of Santa Cruz in times of unrest and have been involved in violent attacks and atrocities against indigenous peasants, as well as damage to government buildings. The US embassy noted that the UJC “have frequently attacked pro-MAS/government people and installations”, adding, “Their actions frequently appear more racist than politically motivated. Several months ago, a group of mainly white Youth Union members attacked an altiplano migrant ... The Youth Union has boasted to the press that it has signed up 7000 members to participate in the [civil defense militias] – the number is likely inflated but many of those who have signed-on are militant.” Another cable noted: “the Santa Cruz youth union seems to be radicalizing: one group waving Santa Cruz flags drove through town in a jeep emblazoned with swastikas.” In the aftermath of the Rózsa

## THE RACKET

plot, the police apprehended Juan Carlos Gueber Bruno, reportedly an advisor to the UJC, and former SCCC activist, who was known as “Comandante Bruno”.

“Youth Union violence was basically in retaliation to a threat,” Mr Cardozo told me. “The youth groups did participate in these things but because they thought it was a threat and MAS started it.”

I also talked to Samuel Ruiz, president of the UJC, at the SCCC headquarters, surrounded by photos of previous presidents, including Marinkovic and Costas. “The committee was formed in 1952 as a means to protect this region, it was under attack from other regions and felt it needed to protect itself,” said Mr Ruiz. “The civic committee existed but it was felt it could do with a youth branch too.” Now the UJC has 3,000 passive members, and 500 active, according to its president. Asked three times if it has any indigenous people as members, he avoided the question twice. On the third time of asking, he replied: “What percentage? I don’t know. There are 20 representatives in different provinces that represent areas with indigenous people.” He complained that when Morales came to power he got rid of USAID and other US groups – a false claim. “It has had a huge impact,” he said. “When there were international agencies, Bolivia was much more peaceful, now we see loose arms and legs about the streets, there are kidnappings, it’s violent and dangerous whereas it wasn’t before.” The UJC had taken matters into its own hands. He said that the government was bringing people from Chile and Peru to train farmers in military combat, and that Venezuelan and Cuban doctors were actually providing military training. His paranoia about Cuban and Venezuelan influence was similar to that shown in the cables from US officials. He claimed that Morales sent campesinos to Santa Cruz to start violence at the height of the tension, even though the cables noted that Morales went out of his way to avoid casualties. “[M]ilitary planners

have told us that President Morales has given them instructions not to incur civilian casualties,” one noted. “Field commanders continue to tell us they will require a written order from President Morales if asked to commit violence against opposition demonstrators.” Another said: “A senior military planner told [an embassy official] December 13 that President Morales wants the military to be careful to avoid violent confrontations with demonstrators if called upon to support Bolivian police.”

“We are monitoring government to see what they are doing,” Ruiz claimed. “But for example they are getting people from Peru to come and train campesinos who kill my friends, and they are training campesinos in war, what are we meant to do?” On the resulting violence against indigenous people, Ruiz said it was self-defense. “After last elections, Evo sent campesinos to Santa Cruz to start aggression; our organization sent out its people but only to defend itself ... It’s not a direct threat,” he admitted, but it worried him because they were “training campesinos who can’t even read or go out and feed themselves”. Ruiz claimed the UJC has never had any weapons – which is also demonstrably false.

The cables also revealed US suspicions in the same period that “some Crucenos are reportedly forming fighting groups”. They would know, as they were funding them. “Sources reported that Crucenos are developing fighting/defense groups and are equipped with weapons such as long rifles and hand guns.” Ruiz claimed that fighting campesinos caused the Pando massacre. “The Venezuelans killed the indigenous people. There are photos ... The Venezuelans infiltrated by entering through the Cuban doctors,” he said. “They went to Pando to form military strategy for organization, so it wasn’t chaos, but all the campesinos, armed people, were drunk, and the Venezuelans killed them by mistake because they didn’t know what

side they were on, and they also shot in the leg a Bolivian journalist because they wanted them to stop filming.” The SCCC were also implicated in the Rózsa plot by Ignacio Villa Vargas, a local fixer and driver for the group, who said that a number of their members had been involved. But the SCCC believed that the Morales government organized the Rózsa plot. They did, though, admit to me that Rózsa had been to their offices, but they claimed that he was trying to infiltrate the committee on behalf of the government, disguised as a journalist. I was shown screenshots of supposed emails between Rózsa and Vice President Álvaro García Linera, which were clearly faked, dating from August 2008 and March 2009, just before the raid in the Hotel Las Americas.

The cables revealed by WikiLeaks noted that the opposition “are nervous to the point of paranoia”. They were also trying to cover their tracks with delusional conspiracy theories. As noted above, one of those suspected of involvement in the terror cell was retired president of the SCCC, Branko Marinkovic, one of the wealthiest men in Bolivia, who owns a vast soybean business and large tracts of land in the east of country. His parents were emigrants from the former Yugoslavia in the 1950s and Marinkovic became a successful businessman before moving into politics, a well-trodden route in the east of Bolivia. When the Morales government came to power and embarked on a land reform program that took fallow lands from their owners to give to landless peasants, men like Marinkovic had much to lose. In a 2007 interview with the *New York Times*, Marinkovic predicted that Bolivia would soon be like Zimbabwe “in which economic chaos will become the norm”. (The head of the International Monetary Fund’s western hemisphere countries unit in the same year praised the Morales government for what he referred to as its “very responsible” macroeconomic policies.) But Marinkovic continued – “speaking English with a light Texas twang

he picked up at Southern Methodist University” – with a veiled threat: “If there is no legitimate international mediation in our crisis, there is going to be confrontation. And unfortunately, it is going to be bloody and painful for all Bolivians.” This was just before the Rózsa-Flores plot was scuppered.

The *New York Times* also noted that Croatian news services had investigated claims that Marinkovic “sought to raise a paramilitary force with mercenaries from Montenegro, where his mother was born”. Marinkovic denied the claims, but there is no doubt he was pushing for a break-up of the country in the same way Yugoslavia had been split in the 1990s. On September 1, 2008, Marinkovic flew to the US, and when he came back just a week later the east of the country was in open revolt. At around the same time, US ambassador Philip Goldberg met in secret with the governor of Santa Cruz, Rubén Costas (the meeting was captured by a news organization). Initially Marinkovic filed a lawsuit against two government officials for “slander” for linking him with the Rózsa-Flores plot. His attorney declared that he “is in Santa Cruz, will stay in Santa Cruz, and will remain in the country”, to prove he had no links to the terrorist cell. Except now he is in hiding. The UJC president divulged that he was in the US. “The government has already cast him as guilty and he can’t defend himself from here so he asked the US for political exile and they granted it to him.” Like Achá. He added that he didn’t know if Marinkovic had ever met Rózsa. Maybe it’s not so surprising. “The US has had a very good relationship with Branko Marinkovic,” said Mr Navarro, MAS minister. “When he was head of civic committee they shared their opposition to the president.” Marinkovic once jettisoned plans to visit Argentina due to distrust of the Morales-allied Kirchner government, fearing that he might be arrested there and extradited to Bolivia. During one of Marinkovic’s trips to the US, he, contrariwise, participated in strategy meetings with



## THE RACKET

political consultants Greenberg Quinlan Rosner and other polling and consulting firms, according to WikiLeaks cables.

When I had finished talking to the SCCC, I asked if there was anyone else I should speak to. The spokesperson recommended former general Gary Prado, who is infamous for being the man who captured Che Guevara and handed him over to his executioners. At the time Prado was a young captain in the Bolivian army. “Where do I find him?” I asked. “He usually has coffee over there in a little café about 4pm every day,” I was told. I subsequently found out that Gary Prado is under house arrest, but as it is not enforced he moves around freely. I head along to his house in an upmarket neighborhood of Santa Cruz. “I am under house arrest but I go to work every day so there’s not much point in that,” he said. Mr Navarro had told me there was “a group of retired generals who have advised the civic committee in the event of a government attack on them”. Prado is alleged to be among them. The government has drawn attention to a meeting Prado had with Rózsa at his house. “I gave an interview to Rózsa-Flores just like I’m giving to you, he came here to this same room, we had an interview about the guerrilla Che Guevara in Bolivia, he took a picture with me here, and that’s all the contact I had with him.” Rózsa apparently thought he was the new Che Guevara, as well as the new Hemingway. But from what Prado does know, he doesn’t believe that Rózsa planned to assassinate Morales. “There was no intent of assassination, never, absolutely not,” he said. Asked why they bought in foreigners, he replied: “They were brought to Santa Cruz by some people probably to try to create a group of mercenaries to defend Santa Cruz.” Then he added that the cell was “probably created to justify political repression”. He would not offer a guess on who bought the mercenaries in. The US, he added, merely “promote seminars about democracy and freedom”.

## THE MASSACRE THAT WASN'T

In May 2008 political turmoil rocked Bolivia and threatened civil war. Santa Cruz held an autonomy referendum, which the government claimed was a move to secession by the eastern province. Rubén Costas, the governor of Santa Cruz, had said in the run-up that the vote – which was not legally sanctioned by the National Electoral Court or recognized by the OAS – would “give birth to a new republic”. (This is the same governor whom terror suspect Mario Tadic told authorities had met with the terror cell’s leader three times and vaguely discussed “organizing something”.) As things hurtled out of control with mass protests and violence, President Morales refrained from annulling the plebiscites which took place in other departments and called a recall referendum on his own mandate. He won resoundingly, with two-thirds of the national vote. At this point, desperate and bewildered, the opposition went on strike, and sent out the UJC (the far-right youth group) to attack government buildings and local indigenous people. The defeat at the polls led the opposition to unilaterally declare “autonomy” in four of the country’s eastern provinces. One of the platforms of the autonomy movement was the rejection of central government control over profits from the country’s natural gas reserves concentrated in the region. In the Bolivian context, therefore, the term was used as a euphemism for increased control over taxation, police and public works. If autonomy was granted in the form Santa Cruz wanted, Morales’ extensive reforms would be impossible – which was obviously the aim of the request.

The strategy of the autonomy movement was to take complete control of the *media luna*, provoke a national crisis to destabilize the government, and convince the army to remain neutral or move against Morales. The mayor of Santa Cruz, Percy Fernández, had already

called on the military to overthrow Morales' "useless government" just before the August referendum. In this heady tumult, in September 2008, 13 indigenous peasants in the Pando department of Bolivia were massacred in violence erupting across the region between pro-government and opposition forces. The atrocity remains relatively uncontroversial – unless you are the HRF, Achá, or the Bolivian opposition. A report by the United Nations Office of the High Commissioner for Human Rights (OHCHR) placed the blame for the killing of the peasants at the hands of people working for the local prefecture, which was led at the time by the opposition politician Leopoldo Fernández. Fernández is still in jail in La Paz, after being arrested, in the aftermath, on charges that he was involved in ordering the attack. The US embassy, in the WikiLeaks cables, noted that he was being held "under dubious legal pretext".

The UN report unequivocally called it a "massacre of peasants" and a "grave violation of human rights", concluding that the massacre was committed by personnel from the local road service office, members of the Pando civic committee and others linked to the prefecture. The Union of South American Nations (UNASUR) also sent a delegation to investigate, headed by Argentina's undersecretary for human rights who concluded that the Bolivian government had acted fairly and it was the opposition that was responsible for the murders. Chilean President Michelle Bachelet called an emergency meeting in Santiago of UNASUR to discuss the Bolivian crisis. The resulting Declaration of La Moneda, signed by the 12 UNASUR governments, expressed their "full and decided support for the constitutional government of President Evo Morales", and warned that their respective governments "will not recognize any situation that entails an attempt for a civil coup that ruptures the institutional order, or that compromises the territorial integrity of the Republic of Bolivia". Morales, who participated in

the meeting, thanked UNASUR for its support, declaring: “For the first time in South American’s history, the countries of our region are deciding how to resolve our problems without the presence of the United States.”

But men like Achá and his “affiliate” HRF saw it differently. In October, a month after the massacre, HRF dispatched their own team to Bolivia to investigate – not the massacre but the “arbitrary detention” of “opposition members and at least one journalist”. HRF’s sources in Bolivia, presumably Achá, were telling it how serious the situation was. “Preliminary research done by our staff and reports sent to us from Bolivian civil society advocates suggest that the recent arrests of journalists and members of the opposition in Bolivia are politically motivated,” said Sarah Wasserman, chief operating officer of HRF. The report from Achá, as mentioned by the US ambassador, posited that the MAS government had actually initiated the murders. And the HRF went on to link the massacre to a speech by government minister Ramón Quintana exhorting government sympathizers to take Pando governor Leopoldo Fernández “to the end of the world” and “give him an epitaph: Prefect, rest in peace and live with the worms. “The speech preceded violence that erupted on September 11, 12 and 13 in Pando, where more than 20 people were murdered for political reasons,” they noted. The report by the Bolivian “affiliate” of the HRF blames the massacre on Morales and his national executive officers. “The deterioration of the rule of law, individual rights ... do not allow the existence of a democratic system,” the report concluded. “In Bolivia, with this background, it outlines the installation of a regime despotic and dictatorial presided by Evo Morales.”

To be fair, there were other NGOs which came to a similar conclusion. One was the aforementioned UnoAmerica, another “human rights” group based in Colombia, whose logo shows

## THE RACKET

crosshairs in the ‘o’ in their name. It was founded in 2008 by Alejandro Peña Esclusa, who is now detained in his home country, Venezuela, for allegedly being found with detonators and 2lb of explosives in his home. The Venezuelan government claims he has close ties to the CIA, and was involved in the 2002 US-backed coup that temporarily deposed Hugo Chávez. In one video, Esclusa is seen insisting on a plan for massive protests across Venezuela, making the government unable to control it. “It is a more efficient mechanism that generates a political crisis and a crisis of instability that forces the regime to withdraw the reform,” he says. UnoAmerica became heavily involved in Bolivia after the Pando massacre, sending a team on a five-day mission to investigate what had happened. To conduct the investigation they partnered with NGOs from Argentina, Colombia, Uruguay and Venezuela (whose names read like a Who’s Who of fascists in Latin America). Taking part from Argentina was El Movimiento por la Verdadera Historia, or Movement for the True History, a group which seeks to bring to justice “subversives” working against the US-backed fascist junta that ruled from 1976 to 1983 and murdered an estimated 30,000 people. One of its Argentina delegates was Jorge Mones Ruiz, an intelligence officer of the Argentine army in Bolivia during last dictatorship. (The government also claimed that the Rózsa cell had links with fascist groups in Argentina, which go by the name of *carapintadas* or “painted faces”.)

The joint report concluded that “the government of President Evo Morales had planned and executed the violent acts”. It claimed it had “sufficient information to demonstrate the responsibility of the Evo Morales administration in the so called Pando Massacre”. The WikiLeaks cables revealed that the US embassy was receiving highly questionable intelligence like this from Achá and other contacts in the opposition, without applying the constant cynicism it reserved

for MAS statements. In conversation with a political officer from the embassy, one contact “alleged the MAS deliberately fomented unrest in Pando in September to justify a military siege, depose Prefect Leopoldo Fernandez, and arrest opposition-aligned leaders to swing the balance of power to the MAS in the Senate”. It is not countered. Another cable noted after the September 2008 violence in Pando: “the government illegally jailed Prefect Leopoldo Fernandez and violently detained over forty more, many of them prominent political opposition members.” The UN had said that Fernández’s jailing was not illegal.

## WE’LL TAKE CARE OF HIM

The most active of the many US agencies working in Bolivia is USAID, the main foreign aid arm of the US government. USAID poured money into the country: between 1964 and 1979, it contributed more than \$1.5 billion, trying to build a citizenry and investor climate conducive to US corporate needs. For nearly half a century it has carried out its ostensible goal of providing “economic and humanitarian assistance” – a gift “from the American people”. The agency operates around the world in a similar capacity, and invests billions of dollars annually on projects that span from “democracy promotion” to “judicial reform”.

Its operations are controversial. The Morales administration has continually said that it uses its money to push the strategic goals of the US government under the cloak of “development”, claims denied by the US government. The Bolivian government also derides the lack of transparency, in comparison with EU aid money, for its programs. Mark Feierstein, USAID assistant administrator for Latin America and the Caribbean, put its *raison d’être* bluntly in December 2010 when he said: “USAID’s programs are not charity ... they are not only from the

American people, as the agency's motto says, they are for the American people." As an aside, Mr Feierstein was a key campaign consultant to the former president Lozada (Goni) who fled to the US to avoid facing trial for the massacre of protesters in La Paz. There is now an attempt to prosecute him under the Aliens Tort Statute for his role in the murders. (Feierstein has never expressed regret about the campaign; in fact, the same firm did polling for Morales' opponent, Manfred Reyes Villa, in 2009.)

Like other methods and agencies used to control democracies in Latin America and around the world, it is hard to pin down USAID. But on-the-ground interviews, documents obtained through the Freedom of Information Act and the WikiLeaks cables have made it possible to unearth the strategies this agency uses to keep its stranglehold on Bolivia, at the same time providing a template for how it is used across the region to undermine left-wing democratic governments. There is no doubt how USAID personnel felt about Morales before he came into power, and one young American student heard first-hand their plans for him. In the summer of 2005, he found himself in La Paz learning Spanish on a break from university when the powder keg of political resistance in the city blew up. President Carlos Mesa – who had taken over from Goni in 2003 after the massacre of protesters in La Paz – had just stepped down. The student decided to go on a bike trip. "Basically I went down the 'Death Road', the world's most dangerous road, with some other gringos," he said, not wanting to be named. "There were some folks from the US embassy and USAID on the trip. I remember them having a discussion on the road down to [the city of] Coroico, talking about not wanting Evo to get into power. They said something along the lines of, 'We can't let Evo get into power'."

In fact, the officials went further. "There were two things that were said, one was 'We can't let Evo get into power', and then something along the lines of, it struck me, it was harsher than that, it was

something along the lines of, ‘We’ll have to take care of him’. It was ambiguous enough that it could be interpreted that we have to take him out, which I don’t think is what they meant. But when they said it I thought, ‘Whoa, I can’t believe they are saying this, they don’t even know me.’” The conversation continued as the group descended the mountain. “I’m assuming they thought I was sympathetic,” he said. “This was right in the middle of the protests and the president resigning, so a lot of the tourists had fled Bolivia, so perhaps they thought I was there because I was working for some sympathetic capacity, maybe working for an international corporation, or related to the embassy or something. It shocked me at the time. One, it seemed weird to have this conversation in public, because not everybody is sympathetic. And two it seemed like they were meddling in democracy, people that shouldn’t be involved in those things, the US embassy and USAID shouldn’t have anything to do with voting a president into power or not.”

But involved they were and would remain as Morales eventually did take power.

Much important work has been carried out on this topic by the investigative journalist Jeremy Bigwood in the period before MAS came to power, but his Freedom of Information Act requests stopped being answered when he asked for information about projects after the election of 2005. What Bigwood unearthed from before 2005 supports the testimony of the American student. Early on, the MAS party was fingered as a problem for the US that had to be dealt with. In a declassified July 2002 letter from the US embassy, a planned USAID political party reform project was outlined which aimed to “help build moderate, pro-democracy political parties that can serve as a counterweight to the radical [MAS]”. The next section, presumably more open on details, was redacted. A series of emails from USAID functionaries in Bolivia also



detailed attempts to form relationships between the US government and indigenous groups in the coca growing region of the Chapare (the sector from which Morales emerged) and the eastern departments, aiming, as Bigwood explained, to “create a common USAID-guided front against ... the MAS”. A few years into the MAS government, USAID made itself so unpopular in the Chapare region that its local leaders in 2008 suspended all projects funded by the agency. They said they would replace the funding with money from Chávez’s Venezuela. In Pando, the mayors signed a declaration in 2008 also expelling USAID. “No foreign program, least of all those from USAID, will solve our problems of poverty, physical integration, family prosperity and human development while we ourselves don’t decide the future,” it said.

I managed to procure documents that relate to the operations of projects since 2005, and they show a similar effort to weaken the power and popularity of the MAS government. The USAID tactic is not the overthrow of the government, but the slow transformation of Bolivian society from its participatory democracy to the type of democracy it had before: controlled by the US and good for investors. The Bolivian example is important because it provides a template of how USAID tries to control Latin American democracies that have “got out of control” and make them work “for the American people”, or American business interests.

Of course, USAID pitches itself as something completely different. In one cable from La Paz, the ambassador wrote: “We will continue to counter misunderstandings about USAID’s transparency and apolitical nature with reality.” But the reality is that the agency is not transparent or apolitical. And its own internal documents reveal as much. USAID maintains it is transparent with the money it invests in the country, but the Bolivian government claims large sums are being handed out without its knowledge, in contravention of usual aid etiquette. In the

WikiLeaks cables, Morales tells the US he wants to start an “open registry to monitor aid”, but it was not supported by the US. The Bolivian government’s estimate that 70 percent of aid money is unaccounted for appears overstated, but there is clear evidence that money was being spent without the knowledge of the government.

After one spate of criticism of USAID programs by Morales, the US ambassador noted that the country “cannot afford to risk USD120 million in assistance” from the agency (it works out as about \$12 for every Bolivian). In another, it is noted: “we’re spending about \$90 million annually to further social and economic inclusion of Bolivia’s historically marginalized indigenous groups and to support democratic institutions and processes, including decentralized governance.” But an American journalist living in La Paz was present at an emergency meeting called by the US embassy to explain USAID’s activities to foreign journalists, after another round of criticism. She was given a breakdown of spending by USAID. “This information was given to the small group of reporters gathered to use as background in stories,” she told me. It outlined \$16.8 million to USAID health programs, \$19.2 million to integrated alternative development (alternative to coca production), \$15.3 million to environmental and economic development programs, and \$22 million to counter-narcotics. It added up to \$73.3 million. But the ambassador had said in the cable that \$120 million was invested in Bolivia per year. Where was the other \$50 million going?

Internal evaluation documents give an indication of why some projects are best kept secret. I procured a host of documents on USAID “democracy promotion” programs in Bolivia in the period after the Morales government was elected. In one, outlining the goals and success of its “administration of justice” programs which have run in the country for 17 years – “among the largest in Latin America”

– the group was explicit about where its money was going. “USAID/ Bolivia programs include support to promote decentralization and municipal strengthening, support to Congress and political parties,” it noted. There is no mention of which political parties it is “supporting” but this is candid language that the group and the US embassy have never used in public. (Morales has said that one mayor told him that USAID offered him \$15,000 to \$25,000 to oppose the president.) Decentralization in this context is also a euphemism for strengthening the opposition. One of USAID’s central functions in Bolivia, ramped up since 2005, has been moving power away from central government, an effort which clearly chimes with the interests of the opposition in the east.

The justice project was conceived by USAID and Bolivian officials before the 2005 election that brought Evo Morales to power, and coordinators admit that “the personnel changes at the higher echelons” of the government “completely changed the atmosphere” in which it worked. The project hoped to open a training school for public defenders, but in mid-2007 it was suspended, “a prime example of the project being ‘overtaken by events’ that were completely outside the control of ... USAID,” the evaluation noted. Internally, USAID was very critical of the Morales government on the subject, commenting that the Bar Associations of Bolivia have been “significantly weakened in the past few years” by the government’s policies. As is customary in projects of this kind, USAID paid subcontractors to carry out their functions, enhancing the already intricate web of institutions and clouding accountability. This project was run by Checchi and Company Consulting, set up in 1973 by economist and Democratic donor Vincent Checchi, which then brought on board the State University of New York and Partners of the Americas. One of the main ways USAID exerts influence – in this justice program but also through its other

activities – is through training programs. These programs school young Bolivians in the “American way”.

In Sucre, I spoke to Ramiro Velasquez, an administrator in the local government offices who has worked for a USAID-funded program in the city. He said it was set up by a consultancy firm, funded by USAID, which has a subsidiary called Fortalecimiento Identidad de Democracia, or FIDEM. “They were looking for Bolivian operators in every department to do their work,” he said. “FIDEM was looking for an NGO to do the work and they would look for operators. They were in La Paz, Oruro, Potosi, and Sucre.” Mr Velasquez was asked to be an operator and told they wanted him to run courses on “democracy and participation”, a program eventually shut down by the Morales government. “This project was aimed at young people,” he said. “So to get young people, you had to get into universities and social movements and state institutions, even the church.” In the end 600 young people signed up. The courses took on two phases with the first workshops an opportunity to select around 20 young people to move on to La Paz for the second phase, carried out by FIDEM and another NGO. It was called “leadership training”, ostensibly to create a new generation of Bolivian leaders. But they had to have the right opinions. “They were teaching about democracy but not the type of democracy Evo and Bolivians have,” he said. “They were teaching them about representative democracy not participatory democracy ... It was clearly to create leaders for the opposition.”

The cables from La Paz support such a conclusion. One visiting official went to a “civic education project funded by USAID through the NGO FIDEM and implemented by the Santa Cruz binational center”. Its aim was to grow a “civic responsibility” arm in addition to its educational and cultural activities. “The project was reaching 21,000 (out of 150,000) residents in the marginalized neighbourhood

## THE RACKET

‘Plan 3000’ which is widely thought to be a MAS stronghold,” it added, as if to explain why it was a good thing. The local residents were “enthusiastic” about the initiative, it noted. The same cable registered that Santa Cruz residents were “determined as much as possible to halt democratic back-sliding. Their main request to us is to report accurately to Washington and the international community what is really happening in Bolivia.” Vice President García Linera repeatedly told the US embassy he opposed democracy programs like FIDEM’s, because they strive to “win the hearts and minds”, presenting a vision of democracy that differs from the government’s. It was true. FIDEM works in eight of the nine departments in Bolivia (three of which are governed by democratically elected MAS prefects) providing the kind of state-building training and technical assistance that USAID and other donors provide worldwide. The work – regional development planning, service delivery, financial planning and more – is technical and non-political. Its focus on departmental authorities was planned to weaken MAS, as was admitted in the cables: “MAS’s goals [is] strengthening municipal governments to the detriment of departmental governments, thus weakening one of the MAS’s main sources of opposition.”

Also in Sucre, I talked to the MAS mayor, Verónica Berrios Vergara, who has been under concerted attack since taking her position in 2008. The city had been the venue of intense violent unrest in 2007 when the constituent assembly, given the responsibility of writing a new constitution, was placed there. In 2008, an opposition candidate was voted into the position of mayor in Sucre, but was disqualified because he was under a criminal charge. Ms Vergara took his place on a decision of the municipal council, causing an outbreak of violence and unrest. “Vested interests were behind the anger of the opposition and that led to us living the most difficult moment in Sucre in many

years,” she told me. She said various explosives were thrown at the mayor’s headquarters and the dissidents tried to kill her on a number of occasions. “One of the questions we asked ourselves at the time is where these students got the money from, because they had the money to buy lots of explosives. They don’t even usually have enough for rent and food, where did they get the money for them from?” She began to cry as she recounted her experiences at the sharp end of the turmoil in Bolivia. “I do fear that these groups are still waiting in the wings and at any point they could come out and do something to me,” she said. “This is really about racism and also that this local government and national government are threatening business interests.” She believed that USAID was behind the funding to some of these groups: “The fact that the Rózsa affair was taking place at the same time and there were question marks over USAID’s work and suggestions they were trying to overthrow the government leads me to question where the money was coming from.” At the time it sparked violence in the streets of the city, which Ms Vergara thinks USAID was behind. “They are in union with the opposition and media to stand in the way of the government’s development plans in the country.”

## **BUILDING ~~DEMOCRACY~~ AN INVESTOR-FRIENDLY BUSINESS CLIMATE**

USAID had another reason to dislike President Morales and his government: they weren’t good for business. The investment climate in Bolivia, which had been open for business to US transnationals for decades, was turning into a more hostile place. Their fears were shared by their natural allies among the oligarchy of European descent in the east of Bolivia. Both were increasingly scared of the economic

program of the Morales government, which has provided a model for developing countries around the world: achieving high growth, as well as reductions in poverty, while part-nationalizing key industries. The Bolivian government, even when composed of ruthless dictators, maintained an investor-friendly business climate, which saw US mining companies, such as Coeur d'Alene Mines Corp, take advantage of the vast natural resources in the country as the Spanish had done before them. Bolivia's major exports to the United States are tin, gold, jewellery and wood products. For a long time, foreign investors were accorded national treatment, and foreign owners of companies enjoyed virtually no restriction. Foreign direct investment (FDI) in Bolivia grew to \$7 billion in stock during 1996–2002, nearly all of which went to the business interests in the east.

Concern about nationalization crops up frequently in the cables from La Paz. "There is ... rampant speculation about President Morales' traditional May 1st speech, in which he is expected by many to announce nationalization of companies based in Santa Cruz, potentially including Cotas or food industries," one reads. "If the latter, many expect Branko Marinkovic's cooking oil and other companies to be taken in the name of 'food security'." The cables from La Paz do not pull punches when outlining their opposition to the economic thinking of the MAS government. One advisor to Morales, an economics professor is, one cable notes, "steeped in outdated socialist economic theories and has yet to accept the practical realities of a globalized economy". It adds that he "may be beginning to understand the real impact of free trade on job creation", but, unforgivably, "he appears to believe that markets in Venezuela and China serve as alternatives to US markets. He has told Bolivian exporters to seek markets outside the United States, unconvinced that the US is crucial to their trade." It notes that he recently returned

from Venezuela after negotiating an agreement to buy Bolivian soy. “Additionally, he has regularly antagonized other businesses, telling them that the President’s Dignity Tariff, a new lower price meant to provide cheap electricity to Bolivians is a done deal, remarking that the private sector should either get on board or suffer.”

USAID had a plan to deal with this. One of the most important components of the justice project is “promotion of legal security”, through which “it was hoped that the business and investment climate in Bolivia would be improved”. The principal donor for this purpose was USAID and the project was budgeted \$4.8 million over five years. It chimed with the sentiment in cables from La Paz, one of which noted, the “key areas of concern in Bolivia currently are democracy, narcotics, and *protection for US investments*”(my emphasis). The justice project sought “reforms in the commercial and administrative law areas” as well as “business organization assistance and training”. For this purpose, USAID funding would help develop a civil, commercial and administrative law curriculum for law schools in Bolivia. In a sign of the penetration of USAID into the highest echelons of the justice system, USAID and the Bolivian Supreme Court *jointly* published a document called *Civil and Commercial Justice in Bolivia: Diagnosis and Recommendations for Change*, which urged the creation of a specialized commercial law jurisdiction. It would “enhance the investment climate of Bolivia”, while the “establishment of a good business climate is essential to attracting investment” and will “maintain and improve its competitiveness”. It noted: “This component was important to the overall success of the ... project due to the fact that it enlisted enthusiastic support from many private sector actors, while also furthering the goal of improving the investment and business climate in Bolivia.” The agency worked with its “partner organization”, the National Chamber of Commerce,



in order to replicate and strengthen arbitration centers through local chambers of commerce (big donors to civic committees). “If Bolivia wants to attract foreign investment . . . then it will need legal security for investors,” it noted. “Should there be an opportunity to continue the work in this area, it would be of high importance for the development of Bolivia.” Their natural allies in this task were organizations like CAINCO, a business confederation in Santa Cruz. In the aftermath of the Rózsa shoot-out, another suspect, Alejandro Melgar, who was a key figure in CAINCO, fled the country. Eduardo Paz, the president of CAINCO, was also an investor in the Santa Cruz civic committee. One cable noted that “The main impact [of nationalization] has been to halt new investment in the [energy] sector, which Bolivia needs to meet domestic demand and fulfil contractual obligations to Brazil and Argentina.” It added that “[as] a political measure, however, the ‘nationalization’ remains wildly popular.” It was also successful. In June 2011, Standard & Poor’s, the rating agency, raised Bolivia’s credit ratings by one notch, praising President Evo Morales’ “prudent” macroeconomic policies which allowed for a steady decline in the country’s debt ratios.

The truth was that the US embassy was fearful for US mining investments, despite high-level Bolivian officials giving “repeated assurances that the Morales administration will respect existing US mining interests”.

Threats that the Bolivian government would nationalize the mining industry – including taking over a smelter owned by Swiss company Glencore (which had been sold by ex-president Goni) – scared them. “We continue to urge the [Government of Bolivia] to respect existing mining concessions and to limit tax and royalty hikes,” one cable noted. In other words, create a good “business climate” *at the expense of the population*. The US embassy viewed the Morales administration as

contrary to its interests. “Strengthening and supporting democracy in Bolivia is our mission’s primary concern,” notes another cable. But in the next line it says: “Although the ruling MAS party and President Evo Morales were elected with a clear majority in fair and open elections, their actions since assuming power have often displayed anti-democratic tendencies.” Elsewhere the cables note the “overwhelming victory” of MAS in elections. Despite this, the US called Morales a “leader with strong anti-democratic tendencies” who “manipulates the media”. His closest advisors were compared to “back alley thugs”.

In fact, the democratic credentials and popular mandate of the MAS government are among the most stellar in the world. First elected to the presidency in December 2005 by 54 percent of the popular vote, nearly double the 29 percent of his nearest rival, Morales was re-elected in December 2009 by 67 percent of the public vote, more than double the percentage won by his nearest opponent, Manfred Reyes Villa. In between these landslides, Morales won the recall referendum called in the face of the “autonomy movement” in August 2008 with 67 percent of the public voting for him to be returned. Just five months later, in January 2009, Morales won the constitutional referendum with 61 percent voting in favor, to 39 percent against. In 2014, he won yet another landslide. But the embassy was disparaging of these achievements, saying Morales was “like a struggling student in the areas of economics and international relations decision-making”. It also noted his apparent desire to become a dictator: “[As] an admirer of Cuban President Fidel Castro and Venezuelan President Hugo Chávez, Morales probably is drawn by the longevity of their time in power and seeks to emulate their ‘success’.” It was rubbish. The referendum in 2009 stipulated a two-term limit for the presidency. On the occasion of a foreign dignitary visiting, the ambassador pushed him “to encourage Morales to follow

a democratic path”, alongside, of course, pushing him “to respect US mining interests to take advantage of free trade”.

The cables are full of fear about US investments. “One US investment which is vulnerable is San Cristobal mine, which is 65 percent owned by Apex Silver,” said one cable. “San Cristobal would be particularly hard-hit by a bill currently in Congress, which would increase mining taxes. Although the Bolivian government claims to want a fifty-fifty split of profits, the proposed tax increases actually result in, on average, a 60 percent government take of profits.” Although fantastically rich in silver and other mineral wealth, in the past the Bolivian people had never benefitted and stayed poor.

## TRADING BRIBES

The US was also using trade deals as leverage in trying to get MAS to change its economic outlook. In September 2008, President Bush suspended the crucial trade preferences that Bolivia enjoyed – alongside Colombia, Ecuador and Peru – under the Andean Trade Promotion and Drug Eradication Act (ATPDEA). The country has lost millions of dollars in exports because of this punitive action. The ostensible reason was Bolivia’s uncooperative attitude to coca eradication in the country, but political and economic motives were thought to be highly relevant. A *Reuters* article written a few weeks afterward noted that “the decision came one day after five leading US business groups urged the Bush administration and Congress to consider ending trade benefits for both Bolivia and Ecuador because of what they described as inadequate protections for foreign investors in both countries”.<sup>4</sup> The next month, in November, President Morales

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4 Doug Palmer, “U.S. moves to suspend trade benefits for Bolivia”, *Reuters*, September 26, 2008.

announced that the DEA would be expelled from the country. For decades, hundreds of DEA agents swarmed the northern Pando and Beni regions, destroying coca crops and, in the process, becoming implicated in massacres of the indigenous *cocaleros*. Largely given a free rein to carry out military operations or eradication by successive governments eager to please their masters, the former *cocalero* Morales wasn't so easy to convince. He charged that the DEA was carrying out "political espionage", and "financing criminal groups so that they could act against authorities, even the president".<sup>5</sup>

The goal of the DEA, one cable noted, "is to provide assistance to achieve US goals while keeping the [government of Bolivia] out in front". In 2008, Morales suspended DEA operations in Bolivia and expelled its 37 agents in the country. He named Steven Faucette, the regional agent of the DEA in Santa Cruz, as a spy, saying that he had made trips to cities in the *media luna* provinces of Beni and Pando with the objective of financing the civic committees which were committed to carrying out a "civic coup". The US was also using its aid as leverage to keep the DEA in Bolivia. "The Ambassador suggested that if eradication is to be stopped and USG involvement in the Chapare ended ... we could begin shutting off our multi-million dollar assistance programs now," one cable noted. Many had long said that the DEA was acting as a front for the CIA in Bolivia. (The agency refused my request for information through the Freedom of Information Act, as did the National Security Agency.) The cables are full of criticism of Morales for failing to heed the US's call for areas it specified to be cleared of coca. It also called the EU effort "relatively modest and narrowly-focused".

But the US preoccupation with eradication in Bolivia, evidenced in the cables, is strange. According to one cable, the DEA estimated that

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5 Carlos Quiroga, "Bolivia's Morales bars 'spying' U.S. DEA agents", *Reuters*, November 1, 2008.

“less than one percent of cocaine seized in the US can be chemically traced back to Bolivia”. *One percent*. The US was also alone in blocking a UN resolution on making the coca leaf sacred in 2011. The tension surfaced even though the Morales government was being largely compliant. The cables present successes like 133 factories being raided in El Alto during the first 10 months of 2008. During the first full year of Morales’s tenure, the amount of coca grown in Bolivia increased around 5 percent. In Colombia, the US ally, it jumped 27 percent in the same period, according to UN statistics.

The opposition I talked to, interestingly, were all in support of the DEA. The spokesperson for the SCCC said that during his time as a journalist working on the topic of narco-trafficking, he saw the DEA and the US embassy dealing with the issue properly: “They were teaching us about how the drugs workers work, how they buy drugs, it helped us.” Another vital US agency which works in Bolivia is the National Endowment for Democracy (NED), created by President Ronald Reagan in 1983 to “promote democracy”, but with a history of doing the opposite. In Bolivia it has focused on potentially recalcitrant indigenous areas, promoting the “American way” to the young. I obtained the proposals for various Bolivian projects granted money by the NED. The tactic of “training civil society” to gain a stranglehold on communities around Bolivia was exactly the same as that used by USAID projects. One project, Observancia, which ran from 2008 to 2009 and cost \$54,664, was typical. It worked in eight municipalities in the country and helped in the “training of municipal functionaries and civil society”. The aim was to create future “municipal candidates” who would be “inserted into government programmes”. Another project, from 2006 to 2007 and costing \$48,000, focused on Uriondo, Tarija, which sits in the *media luna* opposition stronghold. The grant was given at a politically tumultuous time. The report mentioned that

the area of Tarija has the largest hydrocarbon deposits in the country, and the project wants “to increase the capacity” and “strengthen local government” of Uriondo, particularly by improving how the media communicates with the locals. Other projects look to “encourage political citizenship among young people”.

In one project in Totora, Cochabamba, the proposal notes that the population are mostly Quechua speaking and a lot more “politicized” than in Uriondo, adding that “there exists . . . an obstinate opposition to what they term as ‘neoliberal’, and they reject any advances from such parties”. Finally, it noted that the people of Totora organize themselves through a model of “corporativism” – the imposition of “a logic of the majoritarianism”, which rejects a form of democracy respectful of any differences. “This prompts us to consider that in the future we should include democratic values, in all sectors of society, not just as a citizen’s exercise when voting for their electoral representatives, but also with the logical respect that democracy has in other contemporary global societies,” the proposal noted. But the fact that the people of Totora organize themselves into collectives and make decisions collectively is common among indigenous groups throughout the country. The organization writing the proposal, however, concluded that this is in fact undemocratic and that they should introduce programs that demonstrate how undemocratic this form of democracy is compared with “other global societies”.

Another project called for better election monitoring. It suggested “revising the referendum votes for 2008 and 2009, where, in some regions, participation is registered at 100 percent and where the vote in favor of President Morales is of a similar percentage, something which does not have antecedents”. This accusation is questionable because in many departments people vote collectively – a tradition within many indigenous groups.

## THE RACKET

One project awarded \$36,450 to the Bolivian National Press Association. Its ostensible aim was to defend freedom of expression “through the supervision and documentation of violations and threats against journalists” and “improve the professionalism and impartiality of Bolivian journalists”. However, its focus is trained on the government, in keeping with US embassy fears about Venezuelan influence. “The [National Press Association of Bolivia] denounces that the action the government of Morales has taken, something which has never happened under a democratic government, total control of the National Company of Bolivian Television (ENTB), when he integrated the directors with state ministers.” In another project, in Totora, it was noted that they were “expecting – in the coming months – the installation of a community radio transmitter, financed by the Venezuelan government, which forms part of a communications network which that regime has been promoting”. A later section called 2008 “the worst year for freedom of expression since the return to democracy” with “one dead and over a hundred attacks”. The Santa Cruz UJC and its allies committed a number of these attacks. In one case: “A police officer sprayed pepper spray at a journalist who approached the Vice President of the Santa Cruz Youth Union.” The NED criticized Evo Morales for denouncing *La Razon* newspaper, even though coverage of the president Morales in that newspaper has been overtly racist for years, with racist caricatures and racist commentary.

## VERY MEASURED

As in smaller countries in the region, such as Haiti, the US embassy in Bolivia wielded huge power through the second half of the 20th century, often more than the sovereign government itself. The US embassy in La Paz is the second largest in Latin America (slightly

smaller than in Brazil), despite the country having a population of just 9 million people. Through the last 50 years, the US had supported coups to get “their” dictators in place (Hugo Banzer), lent public relations specialists to get “their” presidents in place when democracy returned (Goni), and sent their brightest economists to “restructure” the economy in their image (Jeffrey Sachs). Now, the US provides sanctuary for “their” presidents wanted for crimes against humanity (Goni, again). But such a situation could give rise to complacency. And the election of the democratic socialist government of MAS in Bolivia marked the first time the country threatened to break free of US control. As such, relationships with ambassadors from the US became increasingly strained as the power dynamic switched around, and the sovereign government issued orders to the embassy, not the other way around. Maria Beatriz Souviron, Bolivian ambassador to the UK, told me: “The US ambassador before Morales had a lot of influence over the politics in our country, even pushing to take domestic decisions at some points.” She added: “We want some sovereignty in our country and to make our own decisions. And of course the former ambassador [Goldberg] was involved with the opposition.”

The MAS government accused ambassador Philip Goldberg of “subversive actions” which included a “disinformation campaign” in the lead-up to the recall referendum, as he tried to unite the opposition. In late 2007, the US embassy began moving openly to meet with the right-wing opposition in the *media luna*. Ambassador Goldberg was photographed in Santa Cruz with a leading business magnate who backed the autonomy movement, and a well-known Colombian narco-trafficker who had been detained by the local police. Morales, in revealing the photo, said the trafficker was linked to right-wing paramilitary organizations in Colombia. In response, the US embassy asserted that it couldn’t vet everyone who appeared in a photo with



the ambassador. Goldberg was expelled because of his meetings with opposition figures at the most on-edge period of the battle with the MAS government. In 2008, he was photographed having a secret meeting with opposition governor Rubén Costas. The US embassy liked Costas. In one cable it was noted: “Costas’ willingness to work with the United States would make him a solid democratic partner.” It also praised his “politically savvy use of the media to advance the interests of the media luna”.

This government anger at US embassy interference culminated in September 2009 when ambassador Goldberg was expelled from the country. He has still not been replaced, the US embassy having to make do with the diplomatic downgrade of a *chargé d'affaires*. The US retaliated by expelling the Bolivian ambassador to Washington. “The US embassy is historically used to calling the shots in Bolivia, violating our sovereignty, treating us like a banana republic,” said Gustavo Guzman, the ambassador who was expelled from Washington. Goldberg had an interesting history, which made him a curious appointment by President George W. Bush in October 2006. Between 1994 and 1996 he had served as State Department desk officer for Bosnia and as special assistant to the late Richard Holbrooke, who had been instrumental in brokering the Dayton Accords and then the NATO military campaign against Serbia in 1999. From 2004 to 2006, Goldberg served as chief of mission in Pristina, Kosovo. In other words, he was used to dealing with countries that were breaking up into their constituent parts.

The leaders of the Santa Cruz Civic Committee certainly liked him. “My overall impression of Goldberg is that he was very measured politically,” said its vice president. “Compared to the two ambassadors that preceded. They were very openly political, they got involved a great deal, and compared to them Goldberg was measured.”

The US embassy had been overtly hostile to Morales from the start, and the previous two ambassadors had openly tried to halt his rise to power. In 2002, when Morales narrowly lost his first presidential bid, US ambassador Manuel Rocha, the first Bush appointment, openly campaigned against him, threatening: “If you elect those who want Bolivia to become a major cocaine exporter again, this will endanger the future of US assistance to Bolivia.” In 2003, the second Bush appointment, David N. Greenlee, was put in place, and he had a long history with Bolivia. He served in the Peace Corps in Bolivia, 1965–67, and met his wife in the country. Later he served as a political officer at the US embassy in La Paz, 1977–79, dealing with issues, one think-tank noted, such as communism, military coups and Operation Condor, the continent-wide terror network set up by General Pinochet with the help of the US government. He returned as deputy chief of mission, 1987–89. When back as ambassador, Greenlee openly tried to scupper MAS’s ascent. In March 2003, for example, he sent a letter to Carlos Mesa, then president, alleging, falsely, that MAS was planning a coup in the summer. The MAS government hoped that things would change with President Obama’s election, but MAS officials say it has been no different. In fact, President Obama is now thought to have deployed special operations forces to Bolivia, while he supported the illegitimate post-coup election in Honduras. “President Obama lied to Latin America when he told us in Trinidad and Tobago that there are not senior and junior partners,” said President Morales in 2009.<sup>6</sup>

While in La Paz I arranged an interview with the US *chargé d'affaires*, John S. Creamer, who has served in embassies in Nicaragua, Argentina and Colombia. I was not allowed to record the interview, but

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<sup>6</sup> Carlos Valdez, “Bolivian leader says Obama ‘lied’ about cooperation”, *Associated Press*, July 2, 2009.

took notes. “The Bush administration took a heavy toll on perceptions of the US, that’s an empirical fact,” he said. He denied knowing of the various foundations – HRF and UnoAmerica – but is “sceptical” they were involved in the Rózsa plot. It became clear later that the US embassy is aware of these groups, and is being briefed by them. Mr Creamer told me there was “growing opposition” from within MAS against the leadership, an interesting observation, as it is a strategy that the government itself is increasingly wary of. “Evo is now scared that the new tactic is the opposition infiltrating the government and MAS, in order to take power from within,” Mr Mendoza, the Sucre senator, had told me. The embassy is obviously still in close contact with the radical elements in the east, as Mr Creamer defends the violence of the UJC and other radical opposition elements, arguing self-defense. “It’s natural to defend yourself,” he said, as we finish.

The international community have also been accused of supporting the break-up of the country. I talked to the British ambassador, Nigel Baker, in La Paz, who seemed to agree with the autonomists. “I think the long-term destiny for Bolivia ... is some form of federalist structure,” he said. “The topography of the country, the different character of different peoples in different parts of the country, different economic structures, all work in favor in Bolivia of greater autonomy.” He thought the US had entirely benign intentions: “I think historical record will show that the US was operating correctly in Bolivia and trying to work with all political groups, people of all political colors, to work with and strengthen Bolivian democracy.” The WikiLeaks cables reveal that opposition politicians were openly approaching the US embassy for support in elections. One opposition politician “stands out as a potential national opposition leader,” one cable noted, before adding that in a meeting with embassy officers he had “privately expressed his interest in obtaining US support to run for the presidency”.

One the major concerns for the US after Morales came to power was Bolivia moving out of its traditional sphere of influence and making alliances and economic deals with other countries: thumbing its nose at its traditional patron. Among the people consulted by USAID for one its projects was Eduardo Rodríguez Veltzé, a former president of Bolivia who controversially decommissioned the country's only air-defense system, purchased from China, putting Bolivia under the basic military control of the US. It was people like this the US was used to dealing with. But Morales no longer countenanced such servility. At the same time, China embraced the MAS government openly (largely because of the lithium reserves, no doubt), and did not seem as intent to undermine the democratically elected government as the US was. They also provided an alternative source of investment, worrying US planners. And it wasn't just China. In 2008, it was announced that Bolivia had signed a deal with state-owned Russian gas company Gazprom to explore and produce natural gas in the country. State-owned oil and gas company, YPFB, which was nationalized by the MAS government, signed the deal to exploit South America's second-largest reserves, concentrated in the southeast.

Bolivia also announced more military purchases from China and Russia, after the US blocked Bolivian purchases of Czech aircraft. Most worryingly for the US, Venezuela and Cuba were also increasing their presence, a fear constantly discussed in the cables. One cable from La Paz noted: "Cuban and Venezuelan advice, interference, and assistance continue to be a serious concern." The concern is listed as "Cuban doctors and newly inaugurated hospitals bring medical care to isolated communities", while Venezuela provided micro-credit financing to small businesses. Unlike USAID, of course, "Venezuelan funding is pouring into the country with no transparency or accountability, further damaging the democratic

process.” Venezuelan funding for the media was a particular “issue of concern”, which, we have seen, was being fought as a proxy war through the NED’s programs. One cable worried “that media will be sold without public knowledge, changing the opinion-leader landscape in the country”, i.e. the anti-Morales bias. The cable even noted that the main newspaper, *La Razon*, has a “generally anti-[government of Bolivia] stance”.

In February 2008, a story broke about a Fulbright scholar in Bolivia who had been asked to spy on Cubans and Venezuelans in the country. John Alexander van Schaick said that he was told by regional security officer Vincent Cooper at the US embassy “to provide the names, addresses and activities of any Venezuelan or Cuban doctors or field workers” he came across while he was in Bolivia.<sup>7</sup> His account was supported by similar testimony from Peace Corps members and staff who were all told by Mr Cooper to gather information on Cuban and Venezuelan nationals. Three days after the story broke, it was announced that Mr Cooper would not be returning to Bolivia. Morales called it the “expulsion” of a “man who conducted North American espionage”, an accusation with some justice. Many believed it was the tip of the iceberg. “We had a mutual friend, and [van Schaick] approached me in December 2007,” Jean Friedman-Rudovsky, the American journalist living in La Paz who broke the story, told me. “It took a couple months to get a hold on the Peace Corps angle, I had heard lots of rumors, but hadn’t been able to substantiate them. The Peace Corps duty director went on record at the time saying Vincent Cooper came and gave these inappropriate instructions to the group.”

The volunteers were in a moral quandary about what to do. “Some kids were worried about the message coming from the embassy, one

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7 Jean Friedman-Rudovsky and Brian Ross, “Exclusive: Peace Corps, Fulbright Scholar asked to ‘spy’ on Cubans, Venezuelans”, *ABC News*, February 8, 2008.

girl was planning on living with a Cuban family; she wondered if she would have to collect information on them,” said Friedman-Rudovsky. The director and the Peace Corps staff complained to the US embassy, remonstrating that they couldn’t act like an intelligence service for the US government. Four months later, however, van Schaick received the same instructions. “In general, not much has changed in terms of US-Bolivia since Obama came into power,” said Friedman-Rudovsky. The ambassador never admitted it had happened; he merely commented that if these instructions had been given, it went against US policy. But it was the first ironclad proof of the US using its agencies to gather information in the country. “Every time Morales speaks on US-Bolivian relations in terms of US meddling in Bolivian affairs, he refers to this story, it’s the only story with definitive proof of spying,” said Friedman-Rudovsky. In the aftermath, the Bolivian foreign minister asked the US to establish exchange programs because the current US programs “are not transparent and we are suspicious when scholarship students are asked to spy on us”. The US did not comply.

Another controversy erupted in 2008 when a police unit called the Special Operations Command (COPES) was implicated in a domestic surveillance scandal after it was revealed that the unit had been used to collect intelligence on areas outside its remit of narco-trafficking. The unit was funded by the US, and was ultimately answerable to the US embassy. The idea that no one there knew what was going on is hard to countenance. It was disbanded soon after.

There had been a long lineage for this kind of subterfuge. In 1997 testimony to Congress, James Milford, deputy administrator of the DEA, said: “The Intelligence and Special Operations Group (GIOE) is one of Bolivia’s most successful drug enforcement programs. It was developed four years ago as a result of cooperation between DEA

and the Bolivian National Police [and was] responsible for handling sensitive intelligence and conducting the most important complex criminal investigations in Bolivia.”

The US had long-established law enforcement agencies in Bolivia operating under the guise of drug enforcement; these agencies could be used for different purposes, and no one could actually verify whether they were gathering intelligence. Later, President Morales alleged that the CIA had tried to infiltrate state-run oil firm YPFB through marketing director Rodrigo Carrasco, who had attended a number of “training courses” in the US, which involved intelligence, security and politics. Carrasco had been a member of COPEL. In the aftermath, the US embassy still complained that the “threat to expel the CIA from Bolivia means that any one of us can be (mis)identified as a spy and kicked out should we do – or be falsely accused of doing – anything that displeases Evo”. Spying was definitely taking place on a large scale. All through the cables there are allusions to “sensitive reporting” which is a euphemism for spying. One cable noted that a MAS official whom “many political analysts” consider “a radical” is “railroading controversial legislative measures”, before adding: “Sensitive reporting indicates that Ramirez may be very vulnerable on corruption and human smuggling charges.”

## BEING A SOFTY

When in Sucre, I talked to Enrique Cortes, a professor at one of the universities in the city and a specialist in US-Bolivian relations. “Bolivia is still dependent,” he said. “This position of dependency was from the beginnings of when the nation was created, we were always dependent on an international monetary system lately led by the US.” He added: “There was a triangular relationship between the state,

oligarchs and transnational organizations and these oligarchs responded to international money. When they lose power they use force to stop history from developing. Within that fits Rózsa-Flores and the Pando massacre, and Leopoldo.” The move to democracy, he said, may not be permanent, and could be scuppered. “There was the fascist process, dictatorship, but it’s not over. With Carter began the phase of controllable democracies, but now we think a new phase has opened. And this new phase is characterized by vital resources, and wanting control over these vital resources. So that’s the central conflict with the US.” He thought that the US could still put a brake on the process initiated by MAS to greater independence. “A coup is not the only way to put brakes on this. History shows there are other strategies, such as penetrating the popular organizations, and social movements using agencies like USAID.” But coups have been the traditional US tactic in the country.

Declassified documents released in 2008 exposed US financial and political support for the military coup led by right-wing general Hugo Banzer in 1971, who ruled until 1978 (before making a comeback, democratically elected this time, from 1997 to 2001). The State Department at the time denied supporting the three-day coup that left 110 dead and hundreds more wounded. Banzer’s dictatorship was a nightmare for organized labor and anyone who disagreed with his restructuring of the economy in the interests of foreign capital. He arrested 14,000 Bolivians without due process, and 8,000 more were tortured. Some 200 people were thought to have disappeared. Banzer had been trained at the notorious School of the Americas in Panama (Fort Gulick) and at Fort Hood in Texas, before becoming a military attaché in Washington. The declassified documents show that the Nixon administration had signed off \$410,000 to be made available for politicians and military officers willing to take out the left-leaning dictator Juan José Torres. At a meeting in July 1971, the 40 Committee



– chaired by the then Secretary of State Henry Kissinger and overseeing covert operations around the world – discussion focused on giving this money to opposition figures who, the understanding was, would undertake a coup. Under-Secretary of State Alexis Johnson said: “What we are actually organizing is a coup in itself, isn’t it?” The plan was approved and the same day that the coup began in Santa Cruz, Bolivia, a National Security Council staffer reported to Kissinger that the CIA had transferred money to two high-ranking members of the opposition.

A month earlier, Nixon and Kissinger had discussed the possibilities for dealing with the Bolivian leader who was leaning too far left.

Kissinger: We are having a major problem in Bolivia, too. And –

Nixon: I got that. Connally mentioned that. What do you want to do about that?

Kissinger: I’ve told [CIA Deputy Director of Plans, Thomas] Karamessines to crank up an operation, post-haste. Even the Ambassador there, who’s been a softy, is now saying that we must start playing with the military there or the thing is going to go down the drain.

Nixon: Yeah.

Kissinger: That’s due in on Monday.

Nixon: What does Karamessines think we need? A coup?

Kissinger: We’ll see what we can, whether – in what context. They’re going to squeeze us out in another two months. They’ve already gotten rid of the Peace Corps, which is an asset, but now they want to get rid of [US Information Agency] and military people. And I don’t know whether we can even think of a coup, but we have to find out what the lay of the land is there.<sup>8</sup>

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8 Conversation between the President’s assistant for national security affairs (Kissinger) and President Nixon, Washington, June 11, 1971, <http://history.state.gov/historicaldocuments/frus1969-76/vo1/d101>

Fast-forward 40 years and not much had changed. The WikiLeaks cables reveal that as the political turmoil was peaking, the US embassy was contemplating the eventuality of a military coup. One noted that “there are strong indications the military is split and could be reticent to follow orders”. Another complained that: “A strong commitment to institutionalism would require a rock-solid constitutional argument before commanders would participate in any action that could be considered ‘political’.” There is no doubt that these feelings were being communicated from within the military to the US embassy. “[Armed Forces Commander General Wilfredo] Vargas had been, publicly and privately, a supporter of US-Bolivian military relations,” one cable noted. “Although he continues to cooperate enthusiastically with us at a working level, even giving awards to three [Military Group] officers December 13 his public comments in the last few months have irritated Bolivian military officers and raised eyebrows within the Embassy.” (The Military Group is part of the US Department of Defense.) But there were reasons for optimism. “Evo does not have a network of personal friends within the military (although his Presidency Minister Juan Quintana does),” one cable noted. “[T]he military is leery of taking on any role considered remotely political. The military fears above all a repeat of the bloody military-civilian conflicts in El Alto in 2003, which brought down the Goni government.” The Goni government – supported by the US, where he is now in exile.

Finally, we are told that Commander Vargas is too unreliable to count on. “Vargas remains an enigma,” the cable noted. “Some commanders suspected, at least before his December 8 comments, that he might be sympathetic to a coup. He is widely characterized as an ‘opportunist’”. The cable added wryly: “We cannot expect him to stand behind his assurances.”

In a piece of bare-faced historical revisionism, USAID said that between 1985 and 2003 “fundamental economic and political rules of the game were liberalized”, adding, “organizations with a pluralistic view of democracy grew and flourished – especially in response to the availability of donor assistance”. It noted that, “Corporatist civil society organizations dominated citizen participation in the public sphere between 1952 and 1985”, which was the moment when the Bolivian government “began to change the direction of Bolivia’s economic policies and democratic practices”. Soon, as the fairytale went, “Pluralistic civil society then emerged, and was active – especially at the level of communities.” What that period, in fact, describes is the “Shock Doctrining” of the Bolivian economy and wider society. President Víctor Paz Estenssoro, who had been a supporter of US-backed dictator Hugo Banzer, ruled from 1985 to 1989 and instituted a neoliberal recipe to help put the staggering economy back on its feet. He repressed labor unions, sacked 30,000 miners, and privatized most of the state-owned companies. The broken society he and his successor Goni created would provide fertile ground for the Morales administration to grow in.

As its framework for the definition of civil society, USAID uses the work of Larry Diamond, a professor at Stanford University and fellow at the Hoover Institution where he coordinates the project on Democracy in Iran. He was a senior advisor on governance to the Coalition Provisional Authority in Iraq and the founding co-editor of the National Endowment for Democracy’s *Journal of Democracy*. He has worked for the State Department, World Bank and USAID. In other words, the perfect intellectual to design democracy in Bolivia.

US weapons and military had been found in Bolivia. In June 2007, Donna Thi Dinh, a 20-year-old American woman, was detained at La Paz airport after arriving on a flight from Miami. The authorities found 500

rounds of .45-caliber ammunition in her luggage. Ms Thi had initially claimed to customs that she was carrying cheese. She was met at the airport by the wife of a military liaison at the US embassy in La Paz. US ambassador Philip Goldberg said that the bullets were for training and sport shooting and she did not realize that she had to declare them. This might be true, but at the very least it shows the impunity with which Americans felt they could act in Bolivia. Bolivia's director of migration, Magaly Zegarra, noted: "the fact that a North American citizen, related to the embassy, is carrying ammunition on a North American aircraft coming from Miami, a city where terrorists from all over Latin America are protected by the government, especially their teacher, as [Luis] Posada is called by the terrorists, and make a mockery of all [justice] mechanisms, is questionable."<sup>9</sup> In another incident, in March 2006, Triston Jay Amero, a 25-year-old from California, set off 300 kilos of dynamite at two hotels in La Paz. He was carrying 15 different identity documents. Two years later, security services uncovered the presence of two fake American journalists photographing presidential vehicles.

The US military itself was also using Bolivia as a base. In June 2010, it was revealed that the Obama administration was expanding the role of US special operations forces around the world in a "secret war" to combat al-Qaeda, with the *Washington Post* noting that they were placed in 60 to 75 countries, with about 4,000 personnel available in countries aside from Iraq and Afghanistan. Jeremy Scahill reported in *The Nation*, based on "well-placed special operations sources", that Bolivia was one of those countries. The role of the joint special operations command forces was to launch "pre-emptive or retaliatory strikes", but this was ambiguous. "While some of the special forces missions are centered around training of allied forces,

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9 Roberto Bardini, "Mal momento para 'errores inocentes'", *Tinku*, May 3, 2008.

often that line is blurred. In some cases, ‘training’ is used as a cover for unilateral, direct action,” Scahill wrote. A special forces source told him: “It’s often done under the auspices of training so that they can go anywhere. It’s brilliant. It is essentially what we did in the 60s,” adding, “Remember the ‘training mission’ in Vietnam? That’s how it morphs.” US armed forces did occasionally pop up in Bolivia. In 2008, just weeks before the raid on Hotel Las Americas, Iraq war veteran Lieutenant Commander Gregory Michel was arrested after he pulled a gun on a prostitute in Santa Cruz. The US embassy managed to secure his release on grounds of “diplomatic immunity”. The WikiLeaks cables also show that C-130s and helicopters owned by the Narcotics Affairs Section (NAS) at the US Embassy were being used to transport “eradicators and troops”. Elsewhere, the embassy noted allegations that the DEA, US military and Bolivian national police headed Bolivian anti-narcotics efforts “from a US military base” in the Cochabamba department. In reference to this, the cable noted: “The US supports Bolivian anti-narcotics efforts at the Chimore Airport and has offices there, but there are no US military bases per se in Bolivia.” *Per se*. The WikiLeaks cables reveal an embassy concerned about renewing “mil-mil” (military to military) cooperation and establishing a “Status of Forces” agreement. But the Bolivian government was reticent about signing up – also refusing to ratify an “Article 98” which excuses US nationals from the jurisdiction of the International Criminal Court, a common demand made by the US, a rogue nation intent on not abiding by international law.

But, as the US knows, Bolivia is still captive to the American military. A cable noted: “Bolivia has not spent any money on ammunition in two years, and the capacity to quickly move troops remains in doubt.”

## SAYING THANK YOU

In early 2006, a cable from La Paz noted “the billions of US dollars of assistance in the past few decades”, and said that the ambassador observed that the US government “would sometimes appreciate a good word or thanks” from President Morales. To this day, the Morales government and his party, MAS, have not “thanked” the US for its support, because since 2005, and before, that support has been designed to finish them, and by extension democracy, in Bolivia. In many ways, Bolivia is the most democratic country in the world now. When you walk around the country you sense the involvement of the citizenry in the politics of their local community as well as on a national level, in a way that is markedly absent in the US or UK. There is a simple formula for US foreign policy in Latin America and beyond: support democracy if the people vote the right way. If they don’t, and the political party threatens to upset the “natural” order of things and with it the business interests of America and other foreign companies, then a program of subversion and destabilization gets under way. This investigation is focused on Bolivia in the specifics, but the general patterns have been replicated from Venezuela to Ecuador, from Brazil to Peru.

Another cable noted: “Evo Morales’ election in December 2005 was a political earthquake in Bolivia, sweeping aside political expectations that have defined Bolivian politics for generations and at the same time breaking open fissures and offering up new possibilities.” It is these new possibilities that scare the US government, the threat of the “virus of a good example”, a government that can provide for its citizens while growing the economy. Even Bolivia’s admirable lead on climate change is dismissed by the US embassy as a “vehicle for raising [Morales’s] and Bolivia’s international political stature”. The US is slowly losing the ownership it has had over Bolivian society for decades. For the first time

## THE RACKET

in living memory, the Bolivian people are deciding their own destiny according to their needs, ideas and hopes – not those of the US. For this reason, war has been declared on Bolivian democracy, alongside any other democracy that does not see its *raison d'être* as supporting US interests to the detriment of its own people. But it was not just the indigenous people of Latin America who were proving a problem for the racketeers. When the financial crisis hit, its own indigenous population stopped being so easy to exploit as well. The racket abroad meets the racket at home.

**PART THREE**

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**REINFORCEMENT**





## TEN

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# THE FIRST PEOPLES OF AMERICA AND THEIR LAND

### OKLAHOMA, DELAWARE

When I met them, as the fog of economic crisis engulfed the community, the Delaware Nation tribe had a simple strategy for creating jobs for the nearly two-thirds of its members who were destitute and unemployed: it wanted to manufacture lighting. The Native American community already distributed lighting so they knew the industry well; now they wanted to produce LED lights. Except they couldn't. No one would lend them the money they needed to get started. They weren't white and had no natural resources on their arid reservations, so the financial players, the racketeers who make everything in America move, turned away. It was just the latest stage in a centuries-old battle for basic dignity by America's First People against the usurpers and financial wizards who have kept them condemned to underdevelopment. They were still

losing. “The economy has taken a complete dive,” Kerry Holton, the eloquent president of the tribe, told me. “Banks won’t take any risk whatsoever, unless you have twice as much in assets than what you are loaning they are not interested.” This meant the rich could borrow, but the poor, no way.

The indigenous Lenape people were originally located across large swaths of the eastern coast of the modern-day United States, including parts of New Jersey, New York, Delaware and Pennsylvania, and theirs was the first tribe to sign a formal agreement with the newly established government in 1778. Over 200 years later, the same people – now part decimated, wholly displaced – are called the Delaware Nation, a white man’s name given to the people who migrated from the west coast and ended up in Oklahoma. In the 21st century, they are still suffering from the barbarism of their conquerors, who no longer come in the form of land-grabbing British colonists, but modern-day money men. The tribe today is suffering majority unemployment, has incurred an insurmountable level of debt, and across the land they have inhabited for 150 years there is a pervasive hopelessness typical of indigenous communities being buffeted by the financial industry. But the Delaware Nation is run more efficiently than the institutions of the state that massacred their ancestors and now loves to preach about the “exceptional” nature of its democracy. They have a small governing council of six members, divided between elders and younger members of the community, who make the decisions.

The Delaware Nation have just one casino – the patronizing gift of the white establishment as it took their land – which they want to use as a stepping stone for other economic developments, including developing green energy. But the tribe has no chance of getting the financing to kick things off. “We can do some of it ourselves, but we need millions to start these things,” said Mr Holton. “We realized pretty quickly that

the banks are no help. We want to create some jobs, but the casinos don't do that. It does create some, but it's not enough". The Delaware Nation have already done a leveraged buyout of a company to take a majority stake, becoming one of the leading semiconductor lighting distribution networks in the US. Everything is in place to move into manufacturing. "We just need capital to get inventory and contracts. But that has been difficult. Even if we have contracts, we go to any financial institution and can't get lending based on that contract." The 1,500-strong tribe is just one of the many Native American victims of the freeze in credit markets in the aftermath of the financial crisis.

Like pretty much everything else negative that happens in the US, the lack of available funds has hit tribes – always seen as a risky investment because they tend to rely on a single revenue stream – more intensely than any other group. The aftermath of the financial crisis hit Native American economies hard as many rely on casinos for their revenue, one of the discretionary spending sectors that was hit hardest in the recession. For many tribes like the Delaware Nation, the revenue stream from the casino is their tax base. They use the funds in the same way as municipalities or states use their tax revenue, to develop social services and educational programs, for example. When the recession hit and the casino revenues went down, it meant cutting back on many of the most crucial welfare and social services.

## THE BUBBLE

Many of the tribes were tempted in the credit bubble to expand their, often high-end, business ventures. The Mashantucket Pequots, who have maintained the same reservation in Connecticut since 1666, announced in April 2008 plans for a "breathtaking" new \$700 million resort at its Foxwoods Resort Casino, which was already the largest in the world,

along with a new Hilton.<sup>1</sup> Within the days of it opening that summer, Lehman Brothers collapsed and with it the global economy slumped. Soon after, the tribe was battling to pay back the highly leveraged debt it had incurred. In January 2010, it managed to reach an agreement with senior lenders to extend debt forbearance and restructuring of \$2.3 billion in arrears. “It’s the same old story,” said Joseph Kalt, co-director of Harvard University’s project on American Indian economic development. “A lot of cash flowing, tribes investing like mad and then getting hit by the recession.”

But the economic challenges of tribal governments are broader than the recent recession. It has always been difficult to attract high-quality credit. Tribes lack the taxing power of local governments, a predicament that has been exacerbated by state budgetary pressures and revenue or tax disputes between governments. Tribal governments have only enjoyed self-governance since the 1970s, when the Gerald Ford and Richard Nixon administrations made strides on the issue. Although they existed before the US itself, in a modern sense they have only had 45 years of self-determination. This has left them open to exploitation by banks. “Any tribe’s debt-managing policies have had relatively little time to refine government structures,” said Jeffrey Carey, managing director and specialist in tribal finance at Bank of America Merrill Lynch. Many believe this has made them more susceptible to the worst banking practices.

There has also been an erosion of the monopoly protection in gambling they enjoyed, while the macroeconomic environment continues to be a challenge with the dependence on the limited asset class versus the broad tax base of a state or locality. They also have collateral limitations because, under Federal Trust status, their assets

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<sup>1</sup> Unless noted, all the statistics and quotes for the chapters in Part 3 come from my work in the *Financial Times* from 2011.

are held in trusts by the federal government, which limits their ability to access the bond or capital markets. Holton told me: “One of the things that the recession has done is woken us up to the fact that we can’t do everything via casinos, we have to diversify so we can shore up those programs and make sure they are there when people need them. Everyone felt casinos were bulletproof but they aren’t.” “Diversification is now a theme for tribal economies,” added Mr Carey. “There’s more onus now on investing in infrastructure and services to citizens, alongside partnerships with non-tribal governments.” In Alabama, the Poarch Creek Indians work with local government on a variety of issues, including police protection and roads. It is a model for cooperation between tribal and non-tribal that is gaining traction across the country.

To add insult to injury, in the midst of this uncertainty, President Barack Obama’s administration decided to cut dramatically the Indian loan guarantee program, which backs tribal loans. For 2012 the program was slashed by nearly two-thirds to \$3 million, down from the \$8 million that was allocated in 2010. “The budget realities that we’re in right now require some reductions,” said Larry Echo Hawk, assistant secretary of the interior for Indian affairs. But it was all a lie. “The Obama administration has tried to make a difference, but it hasn’t trickled down to the tribes: it sounds good in the press, but when you go to tribes, it hasn’t been gainful,” said Holton. The tribal economic development bonds are unusable for many tribes because they lack the infrastructure to do anything with them. “The irony is that banks are now starting to make loans again but the damage has been done and the Obama administration’s proposed cuts will decimate the loan guarantee program,” Gavin Clarkson, a professor at the University of Houston and the country’s leading scholar on tribal finance, told me. “Indian country was given a test but the test was rigged.”

## THE RACKET

Mr Obama's stimulus package included \$2 billion in tax-exempt bond allocations for tribes. But the markets were so bad and the lending criteria so onerous that even though tribes had these allocations financial institutions effectively shut them out. "They were created for us, but you can't do anything with them," said Mr Holton. "They have been nothing more than paper." The loan guarantee program primarily served tribes that did not have access to capital markets. That is now nearly gone, for Washington proof that Native Americans cannot attract investment. But like the colonists before them who wrote contracts on land which they then reneged on, the banks have always seen the Indian tribes as a chance to make a quick buck, an expendable sponge to squeezed and let go when times get tough. For example, in 2011, the Securities and Exchange Commission (SEC) found that Wachovia bank had overpriced a tranche of collateralized debt obligations and sold them to the Zuni Indian tribe in New Mexico. The bank paid \$11 million in penalties to the SEC, which caused the media to take note. But for those with knowledge of Indian economies it was nothing new. "The banks definitely take advantage of the tribes, especially if you have gaming," Mr Holton said. "That's what they want to attack; in the business world as a non-native, you get treated a lot differently to natives or members of tribes. They think they can get in your pocket, it's very difficult, a lot of times it's better to approach them and not tell them you are a tribe."

The racketeers work to keep the poor world underdeveloped, and they do the same with the tribes within their own borders. "The large retail banks were happy to make oodles of money on the backs of tribes when they were financing casinos," said Mr Holton. "But when it came to financing business or industry, things required for a functioning economy, it was always a challenge." That is not a coincidence: building up the capacity of native communities to run their own affairs and not

rely on handouts from the state could challenge their subservience to the system; this, of course, would not do. It's a long story of financial savagery that has created this situation – there is nothing inevitable about it. Bank of America Merrill Lynch, meanwhile, estimated that more than \$17 billion of tribal securities have been issued over the past decade as well as \$25 billion of capital raised by tribal markets. But those statistics can be misleading as the bulk of this financing has gone to the select successful and thus creditworthy tribes. “The cutbacks disproportionately affect the tribes most in need, so it has been a big disappointment for Indian country to see it cut back just when they need it the most,” said Jeffrey Carey, managing director and specialist in tribal finance at Bank of America Merrill Lynch.

The effect of the financial crisis has not been even across tribes. It is possible to classify them broadly into three distinct groups. Casino tribes, whose economy revolves around that one business, saw their revenues drop precipitously, by more than 30 percent in many cases. In Florida, the Seminole tribe was celebrated when Bank of America Merrill Lynch helped them to buy Hard Rock International in a \$965 million buyout in 2006. The *Wall Street Journal* lauded it on their front page, and the financial press beamed. But when the financial crisis struck, the situation took a turn for the worse and it ended in the long-serving tribal chief stepping down.

A second set of tribes was not so severely affected because they were recipients of lucrative government defense contracts that were maintained in the crisis. The Flathead reservation in Montana has a company called S&K Electronics which produces items such as cooling fans for military helmets used in Iraq and Afghanistan. In Nebraska, the largest tribe does field preparation for military equipment, putting together the packs that soldiers take into the field. “The manufacturing tribes have generally weathered the recession very well because overall



government contracting has been resistant because of the wars,” said Joseph Kalt.

Lastly, there are the tribes that have 70 to 80 percent unemployment, which were so poor and starved of investment – without casinos or government contractors – that the recession did not make much of a difference. Starting in the 1990s, around the time the dotcom bubble was inflating, a number of financial firms became interested as tribes gained economic self-sufficiency after political self-determination in the 1970s. They also gained assets from natural resources or the 1988 Gaming Act. Now there was a quick buck to be made, the financial world woke up. Merrill Lynch has had accounts with tribes since the 1960s, while Wells Fargo and Bank of America worked with tribes on a more regional basis instead. Leading up to self-determination, many tribes received land settlements or other reparations, monies for land or natural resources, which became investable assets. That increased in the 2000s as 50–100 more tribes gained investable assets and enterprise levels that warranted more than local bank coverage. “I think tribes have been subject to predatory practices throughout the history of the US,” said Jeffrey Carey.

As government grew from self-determination, the tribes faced a number of challenges, including developing investment policies. They were inexperienced, while the financial sector saw a potential killing. “There is a learning curve for tribes and it has been a challenge for them,” added Carey. “I think there have been predatory practices for hundreds of years. I’m sure there’s still an element of that that continues and it’s not limited to financial institutions, its developers, land or natural resources.” There was a broad-based assault on tribes that initially was led by federal government. There are 565 tribes in the US, and most of them are still at or below the poverty level and/or experience high levels of unemployment.

## NAOMA

The racketeers, once they had taken the land from the indigenous Americans, are now trying to destroy it in their efforts to produce even more capital, in an unending cycle of greed and gluttony. The emblem of this in modern-day US is the literal destruction of some of the country's most beautiful mountain formations, alongside the people living there, to unleash one of the world's dirtiest energy sources: coal. The fact that man-made global warming is a specter hanging over the human race does not concern corporations because it is an "externality" – something we all have to pay for, while they privatize the profit. Mountaintop removal mining (MTM) is a relatively new method of extraction which involves blasting the top off mountains to access the coal inside. It has become increasingly popular across Appalachia despite the damage it does to the health of those who live in nearby communities as well as the harm it does to the natural environment. But, of course, money talks. And it goes on, but not without a fight.

Vernon Haltom, 48 and a father of three, used to live in the small West Virginia town of Naoma, near the bottom of a mountaintop mine. He left in 2009 after five years, because, he said, the mine made life impossible. "One of the things you really notice is the blasting," he told me. "The companies detonate in Appalachia the equivalent of a Hiroshima bomb every week, in terms of the amount of explosives. It feels like an earthquake; sometimes you don't hear it, you just feel it." He has now become one of the outspoken fighters against the destruction of America's natural heritage, and was the co-founder of Coal River Mountain Watch. In the process he has put himself in danger – another reason he left Naoma was the death threats he said he received from Massey Energy, the huge company which is at the forefront of mountaintop removal mining in the area. He also complained of the

dust the blasting was sending down on to the communities. “The real problem of blasting is dust, silica dust from rock, whatever elements have been isolated from the surface for hundreds of millions of years are put into the atmosphere. The nitrate and other blasting by-products that come down on communities where people live and breathe, that’s something that the agencies are supposed to be regulating, but they refuse to do anything about it. They don’t think it’s an issue at all.”

He recalled one episode when he was going home from work and walking past Marsh Fort, the local elementary school. In the sky above the school, the sun could be seen only dimly through the dust cloud. “The agency never bothered to come out and investigate,” he told me, still angry years later.

A growing body of scientific studies has outlined the health impact on communities in the areas where mountaintop removal mining is being carried out. In July 2011, the peer-reviewed *Journal of Community Health* published a study which posited that among the 1.2 million people living in central Appalachian communities affected by mountaintop removal mining, there were an additional 60,000 cases of cancer directly related to the practice. In the previous month, a study by researchers at West Virginia University found higher rates of birth defects in Appalachian areas with mountaintop removal mining compared with non-mining areas. These include central nervous system and gastrointestinal defects.

The sad truth is that state agencies have been captured by the racket, and now work more for the companies than for the people they are meant to represent. Instead of acting on their powers to regulate the industry and enforce laws and regulations, they are merely the legitimizing tool through which big business operates. Corruption is built into the system in the form of revolving doors between the regulators and the companies. An inspector will spend a couple of years “regulating” then move on to a coal company without a bat of

an eyelid. “We’ve had polls for years to show people are opposed to MTM, unfortunately politicians don’t care what’s right, they will be swayed more by wealthy companies that finance their campaigns rather than people,” said Mr Haltom. On West Virginia election day, both the Democrat and the Republican love mountaintop removal mining, he said. “Given the financing that the coal industry does, they butter bread on both sides. It doesn’t matter if you have a D or an R after your name, you should just have a C, for the Coal Party.”

“There is an emerging body of science [about] health effects in communities effected by MTM,” Melissa Waage, campaign director at the Natural Resources Defense Council, an environmental advocacy group, told me. “Two important studies in the past month show higher rates of birth defects and higher rates of cancer, and the activists have picked up on that and have brought that to Washington and said this is literally killing us and we’re not going to take it.”

Of course, the functionaries of the racket were busy legitimating it with the usual excuse for exploitation: investment. “Mountaintop mining helped the economics of Appalachian coal miners,” said John Bridges, US coal analyst at JP Morgan. “It lowered cost and improved productivity in a competitive sector.” So all the people whose kids are dying of cancer should be thankful. But he admits it’s harder for these destroyers to go about their work now. “Now we have a situation where the easy opportunities have been mined and costs are going up. And environmental lobby is opposed to the method, so permits are much harder to come by.” The coal companies themselves chime in, mirroring what corporate interests use around the world, as we have seen in Haiti: “but we bring jobs!” “There is no question that the EPA [Environmental Protection Agency] is stymying job creation at a time when the US economy is struggling, and when jobs and the economy are the top concern of most Americans,” said Deck Slone, vice-president of

government relations at Arch Coal, one of the worst offenders. In 2010, the EPA elicited fury from coal companies and some local politicians when it tightened its guidance on the criteria for granting permits for mountaintop mining sites. It followed a move by the regulator to set aside 80 proposed mining projects for “enhanced review”.

Lenny Kohm, former campaign director of Appalachian Voices, one of the many grassroots organizations that have sprung up to oppose mountaintop removal mining, said the activism is working. “Without question it’s had an effect,” he said. “It used to be until several years ago that that industry had *carte blanche*. If they applied for permit it was automatically granted. Through the efforts of our group and others, through legislative channels, but also direct action and working on agencies, the EPA, which is responsible for issuing permits, about a year ago they took 80 permits and held them up for further review, while major permits have been denied.” He added: “I would bet that within the next five years mountaintop removal doesn’t exist at all. The most important thing that will get us across the finish line are our efforts on making this a national campaign, we’ve taken it all over the country. I will brag a little bit, I don’t think there’s many people left who haven’t heard of it; six years ago nobody had heard of it.”

The fight of the people of Appalachia for their homes and the rights of the natural environment shows that the needs of capital to reproduce itself incessantly can still be trumped when the wider population is awakened to the issue free from corporate-backed propaganda. In fact, there lies the key to defeating the racket. Both Republicans and Democrats rely on coal money to get re-elected so working within the political process can be futile.

The fight is made harder because the corporations have all the money – they have millions of dollars to bribe elected officials, to influence the national media and get their voice heard in Washington. The residents of

Appalachia have no such money, but their voice was still heard above the din of lies and dissembling. “If you want to encapsulate our strategy, we want to form public opinion and then leverage it to get political will,” Lenny said. The official political process is broken, so the people have to work outside it, building their own media outlets, and building consciousness of what this racket wants – its tentacles in every part of our lives.

## FRACKING

One of the few bulwarks against the power of capital to run rampant in the US are the regulatory bodies which are there to enforce the rule of the law. For this reason, these bodies come under concerted attack. When I was in Washington, the issue burst on to the news agenda when a gas well in Pennsylvania exploded and sent thousands of gallons of fluids coursing through the drilling site and into a local tributary. The fluids were laced with a medley of dangerous chemicals, forcing seven families to evacuate their homes. The accident created more controversy for a method of gas extraction known as hydraulic fracturing. Its supporters in the corporate world claim it will end US reliance on foreign oil and cut greenhouse gas emissions.

“Fracking” has been around for decades, but only in the 2000s were big shale gas deposits found in the US. The racket could barely conceal its excitement. The accident happened on a drill site working the Marcellus Shale, which stretches over New York, Pennsylvania and West Virginia, the biggest natural gas deposit in US. As many as 100,000 wells are expected to be drilled along the shale over the next half century if allowed to go ahead unrestricted. Fracking involves injecting fluids into shale rock to unlock the natural gas inside. Many countries around the world are betting on shale gas as a big future source of energy as traditional sources of oil run out. But while the

## THE RACKET

business press was in raptures and the mining companies sang the praises of this new frontier of profit-making, ordinary Americans were speaking out against a technique which has the potential to destroy communities and landscapes, and puts people in danger of cancer and other diseases. Cuadrilla Resources, the first company to explore for shale gas in the UK, suspended operations at one site in fear that it might have triggered two small earthquakes near Blackpool in northwest England. In the US, local communities have been up in arms over the practice. State legislatures across the country are passing new laws to stem the perceived environmental fallout: the fluids used to break up the rock can contaminate the water supply. “Clearly, water pollution is a big problem, as well as the impact on air quality,” Myron Arnowitt of Clean Water Action, an environmental group, told me. “We need to make sure drinking water supplies are protected and stop waste water being discharged into rivers without real treatment.”

The companies are also acting like Wild West criminals. The Pennsylvania state environmental agency found 1,200 environmental violations at gas drilling sites in 2010, and one in six wells had violations. There is a clear record that the fracking industry has poor environmental management and when things go wrong they are very significant for local communities. “The states are reacting to events on the ground, rivers being contaminated, well blowouts, leaks that they were seeing in well casings,” said Mr Arnowitt. “The problem is that states never sit back and say, ‘Let’s stop drilling and think about what is going to happen if we drill all these wells’.” These same companies do not even have to divulge what chemicals they use. The Texas House of Representatives, of all places, passed a bill that would require fracking drillers to make public the chemicals they use. “Although there have been no cases of the process contaminating groundwater in Texas, the people say they want to know the contents of the fluid used in the

process,” said the Texas bill’s sponsor, Republican Jim Keffer. Texas Railroad Commission chairman Elizabeth Ames Jones, meanwhile, told a US energy department hearing that it was “geologically impossible for frack fluid to migrate into the water table” because the process took place too deep in the earth. Texas is actually at the frontier of some of the biggest discoveries of shale rock, particularly in the south of the state. One recently discovered formation which runs from the Mexican border to the south of San Antonio has been called the largest onshore oil or natural gas find in the past 50 years. Bills, meanwhile, have been introduced in California, Pennsylvania, New Jersey and New York to stop fracking.

The EPA, the only bulwark the American people have against big business in this case, has been responding extremely slowly to concerns. Its spokespeople were hesitant to take a line when I spoke to them. Of course, as an institution which might impinge on corporate bottom lines in America, it was under concerted attack by the corporate sector. “We will lose several years of development and have to spend money on bringing in natural resources from around the world [if the EPA intervenes],” said Ray Ludwiszewski, who was general counsel at the EPA in the 1990s and is now a lawyer at Gibson Dunn. This is another facet of the racket – racketeers will use any excuse to get their way. In the case of fracking, the companies and their lackeys were using the excuse that America has to rely on foreign oil – a serious concern – when shale gas can meet those needs.

## **SHEDDING THE REGULATOR**

In 1998 Arch Coal, the second largest coal producer in the US, unveiled its plan to build the largest mountaintop extraction operation in West Virginia’s history, a 3,000-acre site with huge mineral deposits. The



Missouri-based company spent the next decade clambering over various logistical obstacles until in 2007 it was granted a permit for the project by the US Army Corps of Engineers. But the project hit a snag in 2009 when the EPA vetoed the permit under the Clean Water Act. The EPA ruled that the new project “may result in unacceptable adverse impacts to fish and wildlife resources”, adding, “the damage from this project would be irreversible”. The project remains stalled. Arch Coal filed a lawsuit to defend the original permit against the EPA veto.

You may think that this was the EPA doing its job, acting in the interests of preserving America’s nature and its people, but it was also stepping on the toes of big business, and that made it Public Enemy No. 1 in Washington. This story, alongside countless others, became *causes célèbres* for the Republican Party and its allies in the business community.

“This over-regulation all started with the Obama administration,” William Kovacs, director of environment and regulation at the US Chamber of Commerce, told me. “Four months in, it became clear that they were moving very aggressively on greenhouse gases and there was a list of other rules they wanted to rewrite.” Some might point out that saving the planet from global warming might not in fact be a bad thing, but there is scarcely a less extreme organization in the US than the Chamber of Commerce, the organization which represents the interests of Big Money. As the most powerful business lobby in Washington, it saw only the dollar signs – a disintegrating world didn’t enter the equation. The US Chamber of Commerce published *Project No Project* which outlined a litany of projects around the country being held up because of “excessive regulation”, including Arch Coal’s mountaintop mine.

The EPA is targeted not because it is doing anything wrong, but because it is the most powerful and active regulator, with its rulings effecting large swathes of US business. Of course, the Chamber trotted

out its usual excuse for allowing businesses to do whatever they want, saying “all too often EPA provides little consideration to the jobs lost or economic consequences of its actions”. In this schema, everything that business wants to do is permissible, because any check on the power to expand and accumulate could impact on the number of people they can employ. It’s a vision of apocalypse, but these forces are indeed winning in the US, and the spaces for people outside of the rat race of capital accumulation continue to shrink. The Republicans, ever loyal to Big Capital, were trying to shift regulatory powers from the EPA to the Congress, including barring the EPA from regulating carbon emissions. “Big polluters would flout legal restrictions on dumping contaminants into the air, into rivers and onto the ground,” Linda Jackson, the EPA administrator, told Congress. I spoke to Henry Waxman, the ranking member of the energy and commerce committee and a senior Democrat who said: “The Republicans are science deniers. They don’t just want to limit regulations, they have a proposal to make a finding that the EPA was wrong in deciding greenhouse gases are a threat.” The American political establishment, though, did not just see the land as expendable. The people of the country, too, had for decades been sacrificed on the altar of the racket’s thirst for more dough.

# ELEVEN

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# WORKING AMERICA

## OCCUPY, NEW YORK CITY

In the early part of 2011, I heard about a protest happening down the road from our office in Washington, DC. Knowing it was not up the *Financial Times*' street – a sit-in at Bank of America – I decided to do a story on it. The group was called US Uncut and was setting up protests in over 50 cities across the US, targeting the massive cuts being made to public services to pay for the corporate greed that had brought about the financial crisis. It was based on a group that had done similar work in the UK, focusing on using tax revenue gained from the richest people in their society – which they avoided assiduously – to bring down the fiscal deficit. The group was armed with all the facts, pointing to a 2008 congressional study which found that nearly two-thirds of US corporations do not pay federal income taxes thanks to the use of loopholes and offshore tax havens. Bank of America was the first target of these coordinated sit-ins and protests because it was the biggest bank by deposits in the land. To add to the protesters' ire, this same bank had received \$45 billion in federal bail-out money in the aftermath of the

financial crisis. I decided to call up Bank of America to get its perspective on what seemed like completely legitimate protest. “I don’t know they are protesting against us,” said a bank spokesperson, not completely ingenuously. “The bank paid back all of the Tarp [federal bail-out money] in 2009 with interest. Our practice is to follow all relevant tax policies and pay taxes when taxes are owed.”

The group’s British analogue and inspiration, UK Uncut, had made headlines after targeting retailer Topshop and its owner Philip Green, as well as mobile phone company Vodafone, with spontaneous demonstrations at stores in London and around the country. Both companies had become famous for their tax avoidance.

The American economy’s slow recovery from the great Recession had caused unfair cuts to public services while corporations were reaping record profits. Many, in fact, wondered why it had taken so long for a movement of this type to coalesce in the US. I called up US Uncut to see what they wanted to achieve. “In the UK, it’s a wildly successful model for compelling people to organize themselves,” said Rizvi Qureshi, an organizer based in Washington. The group called itself a decentralized, horizontally arranged network of people, using US Uncut’s website as a messaging hub. It was a grassroots movement “aimed at resisting painful budget cuts by calling for an end to corporate tax dodging”. The organizers of the movement hoped to channel the union and worker demonstrations in Madison, Wisconsin to create a wider “progressive Tea Party movement” and shift the emphasis away from an attack on entitlement programs to corporations and banks. US Uncut wanted to turn its protest sites into symbols of public institutions being cut in the latest 2011 budget. “One idea is for people to use props and turn the bank into a school to protest the cuts in funding for the vital Pell grant,” said Mr Qureshi. Pell grants help support undergraduate education for students from low-income families. But, after this, the

## THE RACKET

movement seemed to die down, and the precursor to Occupy is all but forgotten. The protests happened, the local media covered it, but then everyone went home.

Then one morning in September, by which time I had moved to New York, I saw a message online about a protest at Wall Street, which hoped to occupy the area and turn it into a democratic place where people could discuss the positive changes the country vitally needed. I told my editor, who again looked confused as to why I thought this was newsworthy. “Sure, go down, but these things happen all the time.” So I did go down, as an activist more than anything else. And this was different; the touch paper had been lit. Over the next weeks and months Occupy Wall Street, the movement of the 99 percent, would thrust itself on to the American political scene. I covered every protest in the period for the *FT*, often with my colleague Shannon Bond, and saw upfront what resistance to the racket in America looks like. It was spreading like wildfire. In Boston, hundreds of demonstrators marched on the state house, while protesters in Chicago beat drums outside the Federal Reserve Bank. In New York, economics Nobel laureate Joseph Stiglitz, actress Susan Sarandon and filmmaker Michael Moore all stopped by Zuccotti Park to lend support. Despite a ban on tents and sleeping bags in the park, protesters had turned the area into a makeshift village. There were separate areas for sleeping and sign making, while free medical aid, clothing, toiletries and food were available. Another area was filled with people working on laptops and video editing equipment.

At Zuccotti Park one day, I got chatting to Victoria Sobel who told me how her parents had worked hard all their lives but were still struggling to make ends meet. That’s why the 21-year-old Cooper Union student had been sleeping rough in downtown Manhattan for nearly three weeks and did not plan on going home any time soon. She had been there since

the first day. “I’m fed up with the way our financial system is structured,” she told me. “My parents work harder than anyone I know, but I’ve had to watch them really scrounge. That’s the reality for me and many people. This is not a hypothetical situation,” she added. “This is a critical situation, that is going to continue on past our movement.” She told me she is not typical of the growing ranks of Occupy Wall Street protesters – because there is no typical protester. “We have a spectrum socially, ethnically and ideologically,” she said. “It’s very spread out.” People were intent on creating a functioning and equal environment, right at the heart of the most insane system of money and greed the world has ever known. “The morale is high, we’re at a crucial point,” Victoria continued. “We really need to begin to address infrastructure and sustainability, we want to create an environment that is conducive to getting work done.” Aware of how the corporate media usually present anyone who genuinely challenges powerful interests, private or public, Victoria believed that the protesters’ image had to be cultivated. “We particularly need to be conscientious of what we are doing because we are being set a high bar,” she told me. “I’m in for the long haul.”

Some observers, including Van Jones, a former advisor to President Barack Obama, were already calling the Occupy Wall Street protests the start of a “progressive” version of the Tea Party movement. “You are going to see an American fall, an American autumn, just like we saw the Arab spring,” Mr Jones said.

As the protests extended into a third week in New York and sparked similar demonstrations across the country, even Federal Reserve chairman Ben Bernanke was asked about the growing movement during an appearance before Congress. “Like everyone else, I’m dissatisfied with what the economy’s doing right now,” Mr Bernanke said, adding that protesters had cause to be unhappy over the economy and political issues.

Of course, Occupy Wall Street and its spin-offs found little support among Democrats, outside of a few lawmakers on the left of the party. “I think [the movement] reflects an inchoate anger and frustration at the failure of the Bush and Obama administrations to hold people to account for malfeasance over the last few years,” Eric Foner, a Columbia University professor who teaches the history of American radicalism, told me. He said that if history was any judge, the fact that the demands of the Occupy Wall Street protesters were so far “unfocused” did not mean it would not develop into a mass movement. “In the 1930s labor had unfocused demonstrations and strikes, dealing with very specific things, then it developed into the modern labor movement.” He added that some of his students had joined the protests, many of them enthusiastic supporters of Barack Obama’s 2008 presidential campaign. “I think it’s a warning sign for the Obama administration that that kind of enthusiasm doesn’t exist any more.”

“The message of Occupy Wall Street is we think both political parties are owned by the same guys,” David Graeber, a former professor of anthropology at Yale who joined in the protests, told me. “If democracy is to mean anything, it means that everybody has to weigh in on this process of how money is created and promises are renegotiated.” He added: “I think [Occupy Wall Street] is really promising because people realized after what happened in 2008 that the story we’d all been told is not true. Markets don’t really run themselves, the debts aren’t sacred.”

## A MOVEMENT TAKES OFF

People sat in a semi-circle listening to other activists in Zuccotti Park, where the days were punctuated with what the protesters called “general assemblies”, forums in which activists discussed political and economic issues and announced plans of action. To amplify speakers’

voices, the crowd repeated every phrase, creating a call and response chant that echoed across the park. One speaker announced a march in solidarity with the 45,000 Verizon workers who were on strike. Another called for more people to join an early morning trip to the studios of Good Morning America, the ABC talk show. Over time the unions, representing working people across New York and the country, came out in force to show support for the protesters. The Transport Workers Union, which has 38,000 members, tried to bar the police and the city's transit authority from requiring drivers to transport arrested protesters, after police had commandeered city buses to carry some of the 700 demonstrators arrested on one march across the Brooklyn Bridge. A federal judge struck down the order. After they offered such a heroic helping hand, I called up the union to find out what they thought of this great uprising against the 1 percent. "The protesters have hit a chord with workers and working families," Jim Gannon, the union spokesperson, told me. "We are expected to pay for Wall Street's implosion with jobs and wages and benefits. Protesters are putting a spotlight on that. We're trying to do what we can to grow that spotlight." Mr Gannon said the union had been in contact with the organizers of Occupy Wall Street about how to help. "They said they don't need anything right now, they are organized," he added. "So we are going to provide moral support, and over the next weeks and months there will be material support as needed."

US labor unions used the momentum of anti-Wall Street protests as a way to amplify their members' concerns at a time when collective bargaining rights were under attack across the country. In Wisconsin, public sector workers lost collective bargaining rights after a drawn-out fight with governor Scott Walker, while New York's Public Employees Federation, which represents 54,000 state employees, accepted a three-year pay freeze that would save the state \$400 million. It was the latest



show of support for the protests spreading across the country from a labor movement that had been hit hard in the aftermath of the recession by job losses, high unemployment, state budget deficits and an often-hostile political environment.

Several hundred members of the SEIU's local 32BJ, New York's largest property service workers' union, rallied near the New York stock exchange in downtown Manhattan to call for better contracts and a "fair deal" for working Americans. The union, which represents 120,000 office cleaners and other property workers nationwide, also organized rallies in Philadelphia and Washington. Faidla Mrkulic, a 60-year-old office cleaner at Pfizer's midtown office, told me: "I was able to send my kids to school, to put food on the table, to pay my rent. The young generation deserves better. Whatever I had, I want them to have."

"This is the time to be in solidarity with labor," Nelini Stamp, an Occupy Wall Street representative, said. "Everyone is going through struggles – losing pensions, foreclosures, student debt." "The first few days were hard because most of us haven't experienced true democracy, which is what this is," said Danny Garza, 26, a student from Sacramento, California, who said he served in the Iraq war. "Everybody has a voice, an equal vote." Mr Garza said his goals were to "end corporate personhood", separate government from business and promote the rights of low-income citizens. "People on the outside think we don't know why we're here and what we want," he said. "This is a revolution." David Good, 24, an artist and Aids activist, said: "This is not about overthrowing the government, this is to bring attention" to inequality and the destruction of the social safety net. He added: "The people that we bailed out are raking in record profits ... I would like to see Congress tax the hell out of them. I want the banks and Wall Street to pay their fair share."

I continued to follow the outpouring of anger against financial injustice as it bubbled up. In a march on Times Square, chants of

“Occupy Wall Street, occupy Times Square, occupy everywhere” rang out across the demonstration, as police on horseback blocked off the road and protesters were forced to line the sidewalks. Rebekah, a student from Philadelphia who did not want to give her last name, told me: “I think it’s important that we build a community of discontent about what is happening in US society.” She said she had traveled to Manhattan for the day to join the protests. “I’m here because I am against inequality and the corporate ownership of our society.”

## THE STUDENT VICTIMS

In fact, students were flocking to the demonstrations en masse – they were another demographic seen as expendable by the racket. When the financial crisis hit, higher education, some of America’s most vaunted institutions, was thrown under the bus. California’s budget, just before the Occupy protests started, cut \$650 million from the University of California’s funding. The brilliant university, which I attended from 2004 to 2005 and comprises ten campuses across the state, was facing a \$2.5 billion shortfall. Michigan, which had experienced a decade of declining state funding to its universities, at the same time cut 15 percent from higher education – dropping the proportion of the total cost of education the state covers to 22 percent, a record low. In comparison, in 1987 the state supported 60 per cent of costs. “It’s a prescription for long-term disaster,” Molly Corbet Broad, president of the American Council on Education, an advocacy group, told me. “The types of jobs that create exports are shifting radically, and require skills and educated people. If we lose a generation of college-age students because they don’t have the opportunity to go to college, we will live with the consequences.”

In the aftermath of the recession and resulting high unemployment, many young people in the US had seen university as a refuge from a

difficult job market. But the cost of attending public school continued to rise, as the racket saw an opportunity to bring public universities into the “market”. “It’s a massive hidden tax on families,” Michael Boulus, executive director of the Presidents Council of the State Universities of Michigan, told me. At the University of Michigan, the state’s flagship campus, tuition for the current school year was 6.6 percent higher than the previous year. The University of California raised tuition 9.8 percent after an earlier 8 percent rise, and officials have proposed further increases in the future tied to expected cuts in state funding. “The UC system is on the rocks,” Peter McLaren, a professor of education at the University of California, Los Angeles, told me. “It was supposed to be affordable to those who could get in, now it’s not affordable to anyone. It’s a dream that has not just been deferred but extinguished.” Debt loads were also growing. Student loans jumped to \$550 billion in the second quarter of 2011 compared with \$90 billion in 1999. Faced with a higher bill for their education, many students were changing their priorities away from idealism to getting it over with. “I noticed a big difference in quality at the end,” Victor Sanchez, a recent sociology graduate from University of California, Santa Cruz, told me. “You see a lot of scaling back, which creates a lack of engagement. People have to focus on getting in and getting out.”

Student debt had increased nearly sevenfold from \$80 billion in 1999 to \$550 billion at the end of June 2011. Other estimates from the Department of Education put outstanding student loans as high as \$805 billion. But the unemployment rate for 20- to 24-year-olds was nearly 15 percent – higher than the overall 9.1 percent rate – compromising the ability of graduates to pay off their growing debts. Student loan delinquencies had risen from 6.5 percent in 2003 to 11.2 percent in June 2011, nearly as high as the 12.2 percent rate on credit cards. “The long-run outlook for student lending and borrowers remains worrisome,”

Moody's, the rating agency, said in a report. "Unlike other segments of the consumer credit economy, student loans have not demonstrated much improvement in performance despite some improvement in the broader economy."

Alberto Gutierrez, a 38-year-old doctoral student at the University of California, Los Angeles, told me he had had to borrow more money and take on a part-time job to cover his expenses, including a \$3,000 monthly mortgage payment. He received some financial aid, but not as much as he had hoped. "It's a public university so they've been cut a lot. Resources are pretty slim," he said. To tide him over, Mr Gutierrez borrowed another \$10,000. "I'm going to be about \$25,000 in debt when I finish. I've never owed that much money." Mr Gutierrez is not waiting for a bail-out like the banks. He wants to stay in higher education when he finishes his degree, but finding work will be hard. He accepts he could go into delinquency. "In California, there's no university hiring, I will have to relocate and even then most are hiring for non-tenure track positions," he said. "I'm looking to end up with a temporary lecturer position, which I'll have to juggle with other part-time work."

The burden of rising educational lending has, as usual, fallen disproportionately on the poorest students. While the average family paid 9 percent less for college in 2010–11 than the year before, the amount paid by households making less than \$35,000 a year increased 14 percent. To meet rising demand, low-income parents contributed more from income and loans. And while students received more grants and scholarships – funding that does not have to be paid back – most of that increase went to middle- and high-income families. The University of California had seen a jump in financial aid applications for undergraduates as the school has raised tuition to meet a growing budget gap. "Clearly we are also concerned and acknowledge that it's tougher than it's been," Nancy Coolidge, associate director of student financial

support for the University of California system, told me. More students qualify as needy, she said, and more families at all income levels have increased borrowing. The difficult job market has affected how readily students can pay back their loans. Ms Coolidge added: “We haven’t yet seen a big drop in those who get jobs but we have seen a flattening of earnings, especially within the first five years after graduation.”

The University of California and California State University systems have even eliminated programs ranging from nursing to computer technology to classics at some campuses, and the University of California, Riverside had postponed opening a new medical school because of funding constraints. “One of our concerns is that college and universities are moving more into a market system rather than producing knowledge for the benefit of society,” said John Curtis, director of public policy at the American Association of University Professors. “These things are pushing higher education in the direction of how much can someone earn rather than what they have a passion for.”

Students were not the only ones suffering. Officials complain that wage cuts, as well as less generous pension packages and fewer available tenure-track positions, make it hard to retain and compete for top faculty. “Most talented faculty members are being recruited away – to their homeland, to other nations or the highly endowed private universities,” said Ms Broad. The gap in salaries between public and private schools has increased in every academic year since the recession began in 2008. “The bottom line is that salaries have been stagnating during the past several years for full-time faculty,” Mr Curtis said. “There seems to be an increasing shift to hiring professors who are off the tenure track.” Increased uncertainty is also damaging the quality of teaching. “When faculty jobs are insecure, it’s a threat to academic freedom. They don’t feel they can raise controversial issues, they don’t have time to work with students .... they don’t have the time they

need.” It was the perfect result for the racket – less troublesome critics for the system to deal with.

## THE BATTLE NOT OVER

Back at Occupy, in the end, the owners of Zuccotti Park, Brookfield Properties, told the demonstrators to leave so the area could be cleaned. Brookfield asked the New York Police Department to clear the park and the administration of Michael Bloomberg, New York mayor, said protesters must leave temporarily. Occupy Wall Street called Brookfield’s cleaning plans an “eviction” and urged their supporters to come to the park for a “non-violent action”. The group also organized clean-up crews that worked on that day to sweep and mop the park ahead of the deadline. Shortly before the 7am deadline, however, the city said Brookfield had put off the cleaning operation. A statement from Cas Holloway, New York deputy mayor, said: “Brookfield believes they can work out an arrangement with the protesters that will ensure the park remains clean, safe, available for public use and that the situation is respectful of residents and businesses downtown, and we will continue to monitor the situation.” “The fact they backed down is a clear sign that this movement is demonstrating a lot of power,” said Yotam Marom, who had been living in Zuccotti Park.

People kept coming downtown to show support. “Aside from our personal feelings about corporate greed, we found out yesterday that our union had endorsed Occupy Wall Street,” said Richard Addeo, a 60-year-old electrician from New Jersey who had come out with fellow members of the International Brotherhood of Electrical Workers. “We have to honor what they say and we also believe in it.” Some corporate executives have also said they understand protesters’ grievances. Even the racket’s spokesmen were supportive. Laurence Fink, chief executive

of BlackRock, said that he was “very encouraged” by the protests and surprised they had not occurred sooner. He said that it would also be foolish to “turn our back on this protest movement.”

In New York, on October 10, we went to the home of Rupert Murdoch, chief executive of News Corp. Protesters stood in the doorway of his building on Fifth Avenue chanting: “Murdoch – pay your fair share!” After 10 minutes, organizers rallied marchers to the next stop, the home of David Koch, the co-owner of Koch Industries and a funder of right-wing Tea Party groups. “Murdoch is one of the worst – but there are plenty more millionaires and billionaires,” shouted one demonstrator. Most of the placards and charts called for increasing taxes on the rich and reducing inequality. The Occupy Wall Street movement refers to itself as the “99 percent”, in reference to the fact that 1 percent of Americans control 40 percent part of the country’s wealth. The march marked a new strategy for the nascent New York movement, which had so far been based near Wall Street. “I think it’s an excellent tactic. These people are symbols of a system based on greed,” said Ted Auerbach, a 63-year-old activist. “This is not going to stop until somebody with great authority comes and talks to us,” said Patricia Malcolm, a member of an inter-faith coalition of clergy that joined the protests. “Let’s start with the millionaires, that’s why we’re going to their houses.” One onlooker, Eric Breeding, who worked for an art auction house on the Upper East Side, said he was supportive of the demonstration. “It’s a good way to get media coverage. Maybe some rich people will pay attention,” he said.

The Occupy Wall Street movement now released a declaration outlining protesters’ grievances, which ranged from stripping the collective bargaining rights of workers to the torture of foreign citizens to the perceived influence of corporate interests over politicians. “This is what an actual grassroots movement looks like,”

Tim Robbins, the actor, told me. “It’s a bit sloppy and disorganized but full of passion.” The mood was festive with some protesters in costume and groups chanting: “Blame Wall Street, not Main Street.” One speaker drew a roar from the crowd by saying: “We have to start by taxing the rich.” Most of the participants brought their own signs, with messages ranging from anti-war slogans to condemnation of police brutality. The vast majority singled out the financial sector and rising inequality in the US. One man held a placard that read, “Money talks, 99 percent walks”.

On the last protest I attended, helicopters hovered in the sky above the park, while the New York Police Department used metal barricades to direct the heavy flow of pedestrian traffic. More students held up signs calling for relief on their loans. Ani Monteleone, 29, who graduated in 2006 from Oregon College of Art and Craft, said: “Our society isn’t creating enough jobs to absorb the people who are graduating from college.” “Things have gotten so bad that everyone wants to be a part of this,” added Ross Fuentes, a 23-year-old holding a sign from the Freedom Socialist Party. He said he was one of the young people energized by Barack Obama’s presidential run in 2008, but was now disillusioned. “Obama ran a great campaign, then he shut the gates,” he said. While the protests were largely characterized in the media as a young persons’ movement, it attracted older people, too. “It’s time people stood up and expressed the need for profound change,” said Barbara, a 70-year-old literary agent who declined to give her last name. Her husband, John, a retired publisher, also in his 70s, said he wanted to see higher taxes on wealthy Americans and a return to the Glass-Steagall Act separation of investment and commercial banking that was put in place during the Great Depression and repealed in 1999. “Things have been going downhill for the past 40 years,” he said.



## THE DOWNFALL OF US WORKERS AND THEIR UNION

One man who had experienced “things going downhill” was Pat Buzzee, a softly spoken 58-year-old, who has spent his working life as a machinist for Electric Boat, a submarine manufacturer near his home along Connecticut’s Long Island Sound. Early in his career, in the 1980s, Mr Buzzee was one of 30,000 who worked in southern Connecticut’s thriving shipbuilding industry. He now works as an inspector, but the industry has shed 20,000 other workers in the region over the past two decades. Many are still out of work and others have had to accept lower wages elsewhere. Difficulties have persisted even for those who have held on to their jobs. “In the late 80s we were in competition with another shipyard here so the company, in order to stay competitive, would hold wages down,” Mr Buzzee told me. “For five years we never got a general wage increase. After a few years that really catches up with you. Costs are going up but your wages aren’t.” He added: “I see myself as working-class, and the last couple of decades have been very hard for people like me. If it wasn’t for the union, I wouldn’t have the standard of living I have today. I think everybody should have a right to join a union, if the laws were even on both sides, you would see more people organized.”

The economic figures reveal that the downward pressures Mr Buzzee has felt for years had long been spreading throughout the American middle class. Since 2006, median wages have continued to fall across the board in the US, and have never fully recovered from the 2000–01 financial crisis when the dotcom bubble burst. The real median household income peaked at \$53,252 in 1999. For male workers in the US, the long-term trends have been even bleaker. “What’s happened to the American man since the early 70s is quite dramatic,” Michael Greenstone, a senior fellow at the Brookings Institution, told me. In 2009, full-time male

workers aged 25–64 were earning on average \$48,000 – roughly the same as in 1969 in real terms. Meanwhile, in the same 40-year period, the income of the top 2 percent of working-age men has jumped 75 percent. But the average American man has not only missed out on 40 years of wage growth; wages have actually been in free fall. As the labor force has fractured and become more flexible, increasing numbers of men have started working part-time or on short-term contracts. When part-time workers are included, the median wage for the American man has *dropped* 28 percent since 1970 in real terms. “It’s a horrifying statistic. I think it changes everything,” said Mr Greenstone. “To put that into perspective, in real terms it takes men back to where they were in the 1950s. I don’t think there’s been a period in American history where you’ve seen such a large, systemic, long-term decline.”

Fewer American men are now able to work a steady 40-hour week, and their ability to provide for their family has diminished significantly as a result. “It has changed the character of the American family,” said Mr Greenstone. At the same time the “life narrative” of the working American man has disintegrated. The path whereby a working or middle-class young man would choose a profession, train, join a union and follow in his father’s footsteps no longer exists. In modern America, the foundations of the economic system have shifted, with the advent of computerization, technology and increased global trade. Facebook has replaced US Steel. “This new capitalism – the financial industries, the culture industries, high tech – is very elitist, so people with incomes in the middle who work in this sector stagnate and people at the top as we know get very rich,” Richard Sennett, a professor at New York University and author of *The Culture of the New Capitalism*, told me. To compensate, he believes, unions need to rethink how they work and become more focused on workers’ life narrative, not just wages. “It’s very hard for men in this new form

of capitalism to get much sense of self-respect out of their jobs,” added Mr Sennett. Along the Connecticut coast, men blame their plight on a combination of factors: falling union membership, jobs moving overseas due to the decline in the rate for profit for manufacturing and stagnating wages. The results of this on modern working life have created a new “precariat” class – a proletariat afflicted by endless precarious part-time jobs. There is also the “financialization” of the US economy since the breakdown of the Bretton Woods system in the 1970s which contributes little if anything to the real economy and may even harm it. “I was at church recently and in the parking lot I was talking to a guy and his wife, and he basically said to me, ‘We can’t afford to live anymore,’” recounted Joe Courtney, Democratic congressman for the district, which is home to the shipbuilding industry. “This guy wasn’t on food stamps or anything like that,” he told me. Like many in declining industrial towns, Mr Courtney, who is the major champion of the shipbuilding industry on Capitol Hill, blamed free trade pacts and the steady decline in union power since the era of President Ronald Reagan for killing jobs. “The decline in union membership is certainly attributable to free trade agreements. It has gone from a pretty heavily unionized state to a minority situation.” In the 1950s, about one-third of the US workforce was unionized; by 2006 the figure had dropped to 12 percent.

John Olsen, president of the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) in Connecticut for the past 23 years, put the blame for the stagnation of wages squarely on decades of attacks on unions. “If you look at the declining lines of wages and union membership, you see they both go down together, they correlate nearly exactly,” he said. “While the rich get richer, we’ve all noticed that we can afford less and less,” said Mr Buzzee, who has an unemployed wife and daughter to support. “Now you don’t have

the same discretionary income where you can go out to eat a couple of times a week with the family. Now you might do it once every two weeks.” He isn’t optimistic about the future. When he was growing up, he remembers his parents and two siblings “never going without”. His mother didn’t have to work, and his father made enough in the Coast Guard. “We never seemed to want for food or anything, we had clothes on our backs.” But those days are gone now, he said, maybe never to return. “Nowadays it’s impossible for one parent to support the family, and even with two working it’s a real struggle.”

The aftermath of the financial crisis has also exacerbated the number of men earning nothing at all. Since 1970, their number has increased from 6 percent to 18 percent. In a taxpayer-funded career center in Largo, Maryland, a clutch of men in their fifties are the human face of that statistic. They sit trying to relearn skills they are rapidly losing while unemployed, desperate to find work. Bert Smith, 56, lost his last job in insurance soon after the financial crisis hit after 30 years in the sector. “I’m having difficulty in finding a job, my job skills are a bit rusty,” he told me. “If I want to get back into the job market right now, I will have to accept a significant drop in my wages.” However, the fact he has a wife and children to support may force that decision on him sooner than he would like. “I wish we were doing better but if you dwell on yourself, you’re going to get depressed,” he said. “At least I have the opportunity to find a job,” he added, grateful for small favors in modern America. “There are other economies that are falling apart.”

Soon after visiting the career center, I spoke to John Harris, who at 52-years-old did not expect to be living with his parents. But nearly two years after he lost his \$150,000-a-year job at a chemicals company, he moved home to New Hope, a small town on the Pennsylvania–New Jersey border, to save cash. Even with a bachelor’s degree in electrical

engineering from Penn State, he had struggled to find work. “Most of the jobs I see, I know I can do, I am qualified to do,” he said. “It’s the employers, they just aren’t hiring.”

Life was about to get even more difficult. For the past two years Mr Harris had received unemployment insurance, regular pay-outs from the multi-billion-dollar joint state and federal program that kept many unemployed people afloat after the recession. But the previous month, he had received his last payment. About 7.3 million US workers collect some form of unemployment insurance benefit, with the average weekly benefit just under \$300 a week in 2011. This compares with 2.8 million in December 2007. Typically, state bodies pay benefits for 26 weeks and the federal government pays up to 73 weeks more. But as rising unemployment forced more people to rely on the benefit, both state and federal government increasingly wanted to limit their pay-outs.

Pay-outs totaled \$159.4 billion in the year to June 2010, up from \$31.1 billion in the 12 months to June 2006, in line with rising unemployment. Now legislators intent on cutting spending had the payments in their sights. “I think that everybody is concerned that this drumbeat about how people aren’t actively looking for jobs is going to impact the program,” Jane Oates, assistant secretary of employment and training at the Labor Department, told me.

In 2011, six states had instigated unprecedented cuts to unemployment insurance programs, trying to reduce the length of pay-outs from the standard 26 weeks. Michigan, Missouri and South Carolina had all cut the maximum duration to 20 weeks, while Florida enacted a sliding scale which can be as low as 12 weeks. Many states also capped the maximum amount of money they will provide through unemployment insurance. Florida’s maximum weekly rate was set at \$275. “Unemployment claims skyrocketed during the period from 2008 to the present,” George Wentworth, an analyst at the National Employment Law Project, told me.

As a result, 30 states' unemployment trust funds – the money that employers pay as a tax on wages and from which unemployment insurance is paid – had become insolvent. “Most states did not save for a rainy day,” said Ms Oates. “When they had a few dollars in their trust fund, they eliminated the business tax, for example.” Federal extensions to state unemployment benefits were also under threat. During periods of high unemployment, Congress usually extends the number of weeks of unemployment insurance after state obligations finish. There is currently a maximum of 99 weeks of benefits, though it can vary from state to state. The high rate of long-term unemployment forced Congress to appropriate general revenues to cover payments.

Advocates of unemployment insurance argue that it has an important effect on the US economy during downturns, calling it a sort of “working man's bail-out”. For every dollar spent on the benefit, the economy gets a \$2 boost, the Labor Department estimates. “People receiving [unemployment] benefits aren't putting the money in their mattress; it's pumped right back into the local economy,” said Ms Oates. From where Mr Harris sits that view may seem a bit optimistic. “It's very hard. I don't spend money on anything,” said Mr Harris, who has two children in college. “Things will now get worse, but when I have a bad day, I just think about all the people around the country who are less fortunate than me.”

## **DIVIDE AND RULE**

One of the racket's methods of breaking the working class and unions was to negotiate “two-tier” wage structures. In September 2011, the United Auto Workers (UAW) accepted a new deal with General Motors, which put in place two pay levels for incumbent workers and new employees. Soon after, Chrysler, the car manufacturer, reached an

agreement with the UAW, which created 2,100 jobs. Although terms of the contract were not made public, it was assumed that some form of “two-tier” wages was part of the deal. The move reflected unions’ weakened position in the aftermath of the recession, as companies threatened big lay-offs unless unions agreed to lower the bar in negotiations. This tactic had re-emerged in Detroit in 2007 when the UAW accepted contracts with three automakers implementing the two-tier wage system. New hires earned \$14 an hour while established workers were paid nearly double.

The two-tier system began during the Reagan administration in the 1980s, but the new innovation did not last long; wages collapsed into a single tier within years of the contracts being signed. “It was done a lot early in the 1980s. Back then it was considered quite revolutionary,” said Gary Burtless, a labor relations expert at the Brookings Institution. “In the end, unions made big concessions.” The reappearance of the two-tier scheme reflects a union movement feeling the heat as it struggles to weather attacks from Republicans across the country. “These are certainly challenging times,” Thea Lee, deputy chief of staff at the AFL-CIO labor federation, told me. “With the loss of so many jobs in unionized sectors, like manufacturing and construction, it poses a threat to our survival.” She added: “When the economy is weak and unemployment is high, it makes it difficult to negotiate a strong contract.”

Public sector workers in Wisconsin lost their ability to collectively bargain after a long fight that included an occupation of the state capital and an unprecedented recall election of conservative legislators. “The trend in recent years has been to strip public sector workers of their bargaining power,” said Mr Burtless. “My reading is that that seems to have stuck; in other words the unions haven’t been able to rebound.” It was not just conservative states like Texas that experienced the shift. Even in traditional union strongholds such as Ohio, Michigan and

Wisconsin – states with Democratic governors or legislative majorities – unions have still had to make big concessions.

Labor economists contended that, in the short run, the two-tier wage solution is popular with incumbents because it maintains wages for existing workers. “But essentially it’s a method of capturing unions,” said Mr Burtless. “In the long run a majority of union workers eventually are on the lower tier. The union leaders often get kicked out, or the two tiers merge. The voting members on the lower tier aren’t going to vote for getting lower wages for long.”

“In the private sector, if companies were on the verge of failing, unions were receptive to opening up contracts to help their employers weather the recession,” said Iain Gold, director of strategic research at the Teamsters trucking union. The Teamsters struck a two-tier deal with its largest trucking company, YRC Worldwide, in 2008. As financial markets collapsed, freight volumes fell through the floor, and YRC found it could not survive without significant concessions from its union. “In one context, the last thing we need is for employers to fail. Folks will do what’s necessary, but also required,” said Mr Gold. Membership is also down. Since the beginning of 2008, Teamsters membership has fallen by nearly half due to layoffs and closures. “This is a critical moment in our history,” he added.

While the attack on the public sector appears new and has attracted a lot of attention, Mr Gold argued that there has been a more subtle attack going on in the private sector since the 1980s. “The blatant attack in Wisconsin has shown public-sector workers what those in the private sector have been going through for decades. In the process, it has awoken organized labor across the country.” As part of the Occupy Wall Street protests, the largest private sector union in New York state planned a rally in the financial district in anticipation of negotiations over a new contract to replace one that was expiring. They were joined



by workers from art auctioneers Sotheby's, who had been locked out for more than two months in an ongoing dispute, as well as Verizon workers, who were pushing for a new contract.

More Americans are living in poverty now than at any time since records began more than 50 years ago; the weak economic recovery has failed to lift incomes. In 2010, 46.2 million American people fell below the poverty line, calculated as an annual income of \$22,314 for a family of four and \$11,139 for an individual, according to the US Census Bureau. The increase lifted the poverty rate to 15.1 percent of the US population, the highest since 1993 and almost 1 percentage point higher than the year before. "To have hit 15.1 percent is truly extraordinary," Alice O'Connor, a professor who studies poverty at the University of California, Santa Barbara, told me. "We are entering territory which looks like the period before we even started fighting a 'War on Poverty' in the 1960s. It's quite stunning. This is a terrible statement about the depths of the Great Recession but, even more, about the recovery, which has clearly left the poorest out completely." The aftermath of the recession has seen a "two-speed" recovery for Americans, as the wealthiest maintain their spending habits and lifestyles while a record number of their fellow citizens are mired in poverty. "Income down, poverty up, health insurance coverage down or flat. The news on economic well-being in the US is not good," Ron Haskins, a senior fellow at the Brookings Institution, told me. *Nearly a quarter of American children are living in poverty.* In 2011, child poverty was the highest since the mid-1960s. Analysts do not expect a turnaround any time soon. "Given the widely accepted projections that both unemployment and, in particular, long-term unemployment will continue at high rates for the next several years, we can expect this pattern of continuing low income and high poverty rates for many years," Mr Haskins added.

Meanwhile, on the same day as the poverty figures were announced, Ipsos Mendelsohn, the media research group, released figures showing that things were apparently looking up for the top tier of US earners. The group's annual survey of affluent Americans found that the number of households making more than \$100,000 a year was 44.2 million in 2011, compared with 44.1 million the previous year. Their spending held steady at \$1,400 billion after previously falling. "Their life has stabilized," said Bob Shullman, Ipsos Mendelsohn president. "Everyone feels it when their income falls but, when you have less discretionary income, you feel it more. It doesn't hurt [the rich] as much." The survey, which polled 14,405 wealthy adults, found "almost all affluents are planning a wide range of activities in the next year, with travelling, remodelling, and investing topping this list". But there was a vast majority of Americans who were living from day to day, trying their best to survive in a society that treated them like refuse, to be discarded when there was no money to be made.

# TWELVE

# DESTITUTE AMERICA

## STARVING, WASHINGTON, DC

One of the fallouts from the financial crisis was the inability of millions of Americans to feed themselves for lack of money. In front of my computer in Washington, DC a small news ticker went across my screen that said 44.1 million Americans were, in the aftermath of the crisis, being fed in some part by the food stamp program, which had been rechristened the Supplemental Nutrition Assistance Program (SNAP). That number, the highest in the history of the US, seemed unconscionable to me; it was nearly a third of all adult Americans. It couldn't be right. The next day I went to the social security office in a rundown area of Washington. Just off New York Avenue I found Jamie Cremeans, a 31-year-old California native, smoking a cigarette outside with her boyfriend and waiting for the lifeline that is keeping them afloat. I got talking to them, and she spoke with sadness of their predicament, a narrative familiar to millions across the country, as the poor are made to pay for the financial crimes of the rich. Her boyfriend, Ronald, was partially blind and had been receiving disability benefits for years, but Jamie was new to this. She was

receiving food stamps for the first time as she scrambled to find a job. The couple had moved to Washington to find work after she lost her job in the recession, but still nothing was working. “We moved here because there’s no work there. I just wanna work,” Jamie said, emphasizing the word *work*. “I probably apply for five jobs a week.” Her last job was in early 2010, more than a year before, when she had done seasonal work with the US census. “In California I got paid to look after Ronald, as well,” she said. “I don’t get that here.” Without accommodation, the couple was living with a friend in the northern outskirts of DC, and Jamie said it was nearly impossible to stave off depression. “The money we get, it’s not even enough for me, let alone two of us, to feed ourselves. And in California you could at least use the food stamps in a restaurant, you can’t here.”

The average food stamp allowance is \$130 a month to cover food, nowhere near enough to keep a human being healthy. It is enough to keep someone alive – just. The racket does not want the embarrassment of people dying of hunger in the richest country in human history, but to have any sort of life, well, that would require more than \$32 a week. “We never have enough food, sometimes we just go without,” Jamie told me. “But there are a lot of different programs, lots of churches help out with food.” You have to be near destitute to qualify for the program. It is available to anyone under the government’s designated poverty level who does not have more than \$2,000 in liquid assets or own a home. It is dispensed through a debit card which is topped up automatically at the beginning of the month. I followed Jamie and Ronald inside the office, which is small and decrepit. People were shouting about what seemed like a refused application for food stamps.

As the US continued to reel from stubbornly high unemployment, the number of its citizens using the program has ballooned over the three years to 2011 by almost 17 million, an increase of 61 percent. On

top of this, the US Department of Agriculture (USDA) estimates that only 66 percent of those eligible actually claim the benefit, meaning that the true figure of those Americans qualifying for SNAP is 70 million, or just under a quarter of the entire population. In addition, the benefits of SNAP to communities where the money is spent has helped the program escape the eye of deficit hawks. The USDA estimates that every \$5 of SNAP money spent in the local community generates \$9 of economic activity. Very few people can afford to save their food stamps. In the mid-2000s, the last years for which there are records, 44 percent of SNAP household heads reported their race as Hispanic or African American, though they comprise 29 percent of the general population.

I wanted to speak to the people in government who oversaw this program. It was strange to me. In the rancorous battle over spending cuts, the program, which cost \$69 billion in 2010, came out unscathed. This was odd because the Republican Party was adamant about cutting any program that helped the poor to avoid destitution and ruin. Why not food stamps? I found out that, of course, it was all about money. I went to see the undersecretary for food, nutrition and consumer services at the USDA, which administers the program. “The reason it enjoys political support is that it benefits growers and ranchers,” Kevin Concannon told me, adding: “It supports areas of the country that are more Republican than Democrat.” Food stamps have to be spent on foodstuffs; you can’t buy toothpaste or toilet paper or other non-food items, so the big chain supermarkets also benefit from the business generated. Once again, the power of the business community dictates the viability of the program. “The underlying principle is how to meet basic dietary guidelines at the lowest cost,” added Jean Daniel, spokesperson for the USDA.

There is no cap on the amount of time a family can receive food stamps, but single people with no children only qualify for three

months of benefits. After that, the tap is turned off. “As part of SNAP they know what they are getting when they go in,” said Ms Daniel. “They work with social services to get back to work, there’s a job training program.” But the average time spent on food stamps for those eligible, according to USDA, is nine months, undoubtedly leaving some single and childless Americans with no food for long periods. “As Americans, we like to think highly of the good things in our country. We struggle with acknowledging that in our midst, there are people who go hungry,” said Mr Concannon. “In my remarks to groups, I often say, these feeding programs, such as are listed here, had never been as urgently needed as they are right now, in our lifetime, short of the Great Depression of the 30s.”

The financial crisis has forced many middle-class families on to the program and sparked a rethink among food companies previously against accepting SNAP payments. Before the financial crisis, for example, warehouse stores Costco and BJ’s were not part of the program but have since joined up. Costco was forced to make its new store in New York City SNAP-friendly after realizing its initial mistake in opting out. But many complain that even with these new stores taking part, SNAP entitlements are not enough to sustain healthy nutritional levels. “All the evidence is that it’s not enough for a healthy diet, it’s enough to keep people from starving, to keep people from very severe malnutrition,” said Jim Weill, president of the Food Research and Action Center, which does public research and advocacy. It is not just a lack of funds that can cause malnutrition for those enrolled in SNAP. “They may live in something called a ‘food desert’ where there’s a shortage of healthy food, and if it’s available, it’s often at a price,” said Alexandra Ashbrook, outreach coordinator of DC Hunger Solutions, which helps people process claims.

## HOMELESS AMERICA

I walked to the Girard Street Family Shelter (GSFS) in Washington to talk to Juaquina Miller, a 25-year-old single mother of two who was being housed temporarily by one of the public programs under attack by the racket. After a childhood in foster care followed by an itinerant adolescence, this new home was a luxury she had rarely enjoyed. She told me she and her family live on an income of \$306 a month. “I don’t know where we’d be without this place,” she said, sitting on a chair surrounded by kids’ toys in her apartment. “I’ve been homeless since I was 17.” The GSFS is one of many housing facilities across the US that provide a lifeline for the homeless population, which had swelled significantly in the years following the subprime mortgage crisis. It provides apartments to 20 homeless families with children, with on-site supportive services from treatment for substance abuse to job preparation. “I have to be quick,” said Ms Miller when we stepped into her living room. “I’ve got a class in a minute!” She said she wants to get a job in law enforcement. Unfortunately, although it felt like home, the accommodation was temporary and she had overstayed the typical six-month stay. She had been on the list for permanent housing since 2007, and was still waiting.

A couple of blocks away from the shelter, lawmakers on Capitol Hill had just passed a budget in which massive cuts were quietly made to the programs that attempt to ameliorate the number of Americans sleeping rough or moving from place to place. “We will see it hitting in a very concrete way,” Steve Berg, vice president of programs at the National Alliance to End Homelessness, which works on federal policy, told me. The situation was made worse by the continuing subprime crisis – there had rarely been a time in American history when social housing was as important as then, but to the Republicans and the capital they represent it was irrelevant.

The most significant cuts for the homeless population are two programs run by the Department of Housing and Urban Development (HUD). The community development block grant funds help cities to pay for staff positions to get homeless people off the streets and into permanent accommodation. The Republicans had proposed 62 percent cuts to the program, while Barack Obama argued for an 8 percent cut. Eventually the budget provided \$3.3 billion for the Community Development Block Grant (CDBG), a \$650 million, or a 16 percent decrease from the previous year. “The 2011 cuts in community development and public housing funding were significant and will cause real pain for families as the economy is still rebounding,” Robert Menendez, senator for New Jersey and chairman of the subcommittee on housing, told me. The main workers hit have been government employees who oversee different cities’ programs, which will make it harder to organize existing facilities like GSFS.

The second cut hitting hard was the public housing program, which provides publicly owned apartment buildings at very low rent, the kind of place Juaquina Miller would like to move into but can’t at the moment. The latest budget provided \$4.6 billion for the public housing operating fund, a decrease of \$149 million from 2010 levels. “The 2011 bill returns to long-term patterns of underfunding maintenance and repair work,” said Berg. “Anyone in real estate knows that deferred maintenance means they will have to be boarded up, it means more homelessness.” The problem of homelessness was getting worse in the US as the stuttering economy, the foreclosure crisis and high unemployment bit. It meant many people could no longer afford housing. The number was decreasing between 2005 and 2008, but since the recession the numbers have come back up, mainly because of the employment situation. The federal cuts came at a time when state and local budgets were in dire straits. Traditionally in that scenario,



the federal government has stepped in to help out, but in the new fiscal budget, the opposite has happened. “To get an idea of size of the homeless population, we do a ‘points in time count’ that gives us a rough sketch of the amount on any given night,” Mark Johnstone, deputy assistant secretary at HUD, told me. On one night in January 2010, the agency found about 650,000 people living outside in parks and train stations, as well as in homeless facilities like shelters. But this doesn’t tell the whole story. “It’s really about two million people that are homeless, because people are flowing in and out of homelessness all the time, and might have somewhere that night,” said Johnstone. He added that each homeless person can cost states more than \$40,000 per year for policing and medical services.

## CAPTURED REGULATION

But in a political system that had stopped working, the likelihood of the homeless getting housing any time soon was nil (even if it did make economic sense). With these cuts, the poorest Americans, those who have never heard of a credit-default swap or a mortgage-backed security, were being asked to pay again.

Another victim from a different part of America, but still prey to the predations of the racket was Jylly Jakes. Over Christmas 2007, she realized she could no longer make her mortgage payments. Eighteen months after losing her job as a corporate bond trader, she was out of options. “I called up my bank servicer [the institution entrusted with collecting mortgage payments] and asked for a six-month forbearance,” she told me. The bank said no. Ms Jakes found work at a boutique bond firm a few months later and offered to pay the missing five payments over 12 months and stay up-to-date on her mortgage. The bank said no again and began repossession proceedings. But in late 2008, she

seemed to find a lifeline. Ms Jakes signed up for a federal government home mortgage modification program aimed at helping millions of American homeowners facing foreclosure. Three years later – after three trial modifications under the Home Affordable Modification Program (HAMP) – Ms Jakes was still fighting the repossession of her home. The outstanding principal balance is now almost \$50,000 more than the original mortgage because of monthly fees “It’s designed to fail,” she told me. “I think it was put out there as political theatre to make it look like Main Street was going to get a hand after being the victim of an artificially inflated housing bubble.”

HAMP was announced with a fanfare by President Obama in February 2009, but it is widely viewed as a failure by those using it. As of October 2011, 735,464 homeowners were in modification programs, about 20 percent of the target. The \$29.9 billion program, run by the US Department of the Treasury, was meant to help 3–4 million American homeowners modify their mortgages and avoid repossession. The Treasury reported that in November 2010 new permanent HAMP modifications had fallen to 26,000 from 40,000 the previous month. The Obama administration threatened to withhold payments to Bank of America and JPMorgan Chase under HAMP for a third consecutive quarter, saying neither institution had followed the letter of the law. By 2011, the US government had handed out \$666 million in incentive payments to servicers, according to the Treasury. “We are disappointed with our rating, and will continue to work hard to improve our processes and controls,” JPMorgan said. Bank of America added: “While we are disappointed with this decision, these financial incentives do not drive our efforts to help our customers in need of assistance.”

Meanwhile, the foreclosure crisis showed no sign of abating. “We have 3.5 million first mortgage loans in foreclosure, or pretty close,” Mark Zandi, chief economist at Moody’s, the rating agency, said. “For

context, we have just over 50 million first mortgage loans outstanding, so that's a lot of loans. So it's going to take a good, solid three, four, five years to really work off that foreclosure inventory." US banks are facing mounting pressure from politicians, the courts and regulators over their shoddy mortgage foreclosure procedures. Phyllis Caldwell, chief of the Treasury's Homeownership Preservation Office, which oversees HAMP, says the system in place for managing delinquent loans was not designed to cope with a foreclosures crisis of the present scale. "With the national delinquency spike, you had everything hit at once, there was a big customer servicing problem, people couldn't get through on the phone, lost documents," she said. Homeowners complain that HAMP fails to rectify skewed incentives which make it in the interests of the servicer to foreclose. "Ultimately, major banks responsible for servicing those mortgages have never been committed to the HAMP program in its design and the Treasury department hasn't been willing to enforce the rules," said Alan White, associate professor of law at Valparaiso University and a leading scholar on foreclosure. He believes HAMP has worked in the interest of mortgage servicers rather than looking out for homeowners. "People are incredibly frustrated with the servicers, the four largest of whom are also the four largest banks," he said. "They can't get through on the telephone, they send documents three or four times. It's really just been a performance problem on the part of mortgage servicers." Housing is perhaps the most crucial prerequisite for a human being to prosper. In America, if you are poor, however, you are on your own.

## LIVING IN NEW YORK

When I lived in New York I decided to find out what life was like for those who did not live on the Upper East Side, or any of the other fabulously wealthy parts of Manhattan. One housing project in Brooklyn was

attracting media attention and according to the press releases its work was going to plan. After decades at the mercy of unscrupulous slumlords, the residents of Noble Drew Ali Plaza housing complex in Brownsville had found themselves a savior in Mo Vaughn, former baseball player for the New York Mets, and his Omni New York LLC. This was the man, so the propaganda went, to transform the decaying five-building project from what narcotics officers referred to as “New Jack City” (after the 1991 Wesley Snipes film in which a drug lord turns a whole building into a crack cartel) into a clean and functioning complex.

Omni New York bought the 365-unit property for \$20 million in June 2007 and on the back of the purchase the police arrested 35 residents in an early morning drugs bust. It was a statement of intent. Over the next months, dozens of security cameras started to appear all over the building, peering down at the residents in the plaza, the social center of the project – the target was 400 fully operational cameras. In came the security firm Secure Watch 24 and surveillance moved from an 8am to 4pm shift to 24 hours a day. Mo Vaughn invited the media in and toured them around the crumbling interiors in a pin-stripe suit, signing memorabilia and accepting the adoration of his clamoring fans. But this was where the fairytale stopped and the reality of Omni’s takeover began. For the residents who were allowed to stay in the complex, there were good omens. There were promises of new stoves, kitchens and windows for everyone. The two most run-down buildings – 230 and 240 – were being completely renovated. But there existed another set of residents for whom Vaughn’s arrival was less auspicious. Countless residents were dealt eviction orders and faced the street as their next habitation. Still more were living in buildings 230 and 240 as the whole place was ripped apart around them, dust and debris seeping into everything. This group included two wheelchair-bound men. It was the typical divide-and-rule tactics of rich developers in the US.

## THE RACKET

The Noble Drew project was built in 1972 in a poor part of Brownsville, surrounded by tenements and empty lots. “It was a wonderful place to be then,” Paulette Jackson-Forbes, 45, the president of the tenants’ association and a resident since its inception, told me. “We even had intercom on the TV so we could see who was downstairs. People were embarrassed if their floors weren’t clean!” The first developer was Joe Jeffries-El, a University of Pennsylvania-trained manager. “There were 20 families of police officers, nurses, bus drivers, teachers – you name it,” said Jackson-Forbes. “It was a utopian place to be.” In the early 1980s the buildings were wrenched from Jeffries-El and the complex started its precipitous decline. In that decade the ownership and management changed hands four times. “We became atrocious then,” said Jackson-Forbes. “People hanging out, crack epidemic, no security, drugs getting a free run – at that time we were really the victims.” Eventually the tenants’ association took action. A lawsuit was followed by a new owner, Lyndon Realty. “They did some decent renovation,” said Jackson-Forbes. “They bought in a team of security – the owners were Jewish but they hired Muslim security – all the drugs went away. You could sleep with the windows up, the doors open, that type of thing.” Eventually it was revealed that Lyndon Realty was stealing and misusing funds, using one of the buildings as a facade for its claimed renovation and actually funneling money back out of the complex. Arrests were made in 1992 and the building went back to a receiver.

It was then that Abdur Rahman Farrakhan, voted one of the 10 worst landlords in New York City by the *Village Voice*, bought the property for \$10. His tenure ran all the way up until 2006 when the court passed management to West Center Management which still runs the day-day operations of the complex. “Under Farrakhan the place just disintegrated,” said Jackson-Forbes. “No elevators, no hot water, no rebuilding, no security.” It eventually transpired that Farrakhan and

a partner had been swindling money out of the complex by receiving government funds for hostel services. They had emptied two buildings and made an agreement with the Department of Homeless Services to run those buildings as a shelter. The rent they accrued was nearly \$3,000 per unit from federal subsidies, far higher than the rent from individual tenants which sometimes was as low as \$68. Eventually Farrakhan was caught embezzling money. Legal proceedings brought by the tenants' association, represented by Attorney Mimi Rosenberg, began in February 2002 in what would eventually become a five-year battle. In 2007 they won the case – the defendant was declared bankrupt and the property was put up to be sold. The tenants demanded strict criteria: \$28 million rehabilitation, restoration and help to secure Section A, which would guarantee that residents could start afresh in their rent payments and no arrears from the Farrakhan tenure would be demanded. Omni New York was the only company to meet these criteria.

## LEAVING THEM TO ROT

When you walk into Noble Drew housing project today you are surrounded by residents angry about the new administration. A project of cleansing the complex has been under way from the police in combination with West Center Management. Certain residents, according to West Center, have not paid rent for the whole West Center tenure – some 14 months. They have been dealt with eviction notices. Dorothy Fields is one such person. A victim of Hurricane Katrina in 2005, she fled with her bedridden husband and was living out of a van next to Noble Drew, before Alicia Allen, assistant manager for West Center, took pity and called her bosses. They agreed to put her up in a room in one of the buildings. The Fields' apartment is in building 240, which has been under construction since Mo Vaughn initiated

## THE RACKET

his regeneration program in July 2007. As you step in past the piles of bin bags, there is scattered debris and dust all over the lobby area. Workmen mill around with large sheets of glass, bits of piping and other construction tidbits. The floor is covered with concrete, collections of brick, shattered glass, plastic bottles – a construction site. The Fields are two of 16 people living in this block as builders are ripping down the building around them. Their apartment inside is in bad shape. Michael Fields, who was shot and cannot walk, lies in bed building a toy car. There is no natural light as the curtains are drawn and a weak yellow light illuminates the room. There's a TV that crackles in the background. "When they gave us this place they said we don't have to pay rent," Ms Fields said. "Now they are trying to make us pay \$5,000, how the hell am I going to do that?" "I can't hardly breathe at times," said Mr Fields from his bed. "I'm also vomiting now which is horrible." "There's dust coming through the window, even I have been breathing up phlegm," Ms Fields chimed in. "And because of all that trash there's worms and dead cats all around here." Ms Fields showed me a note from her doctor cataloguing her respiratory problems and their links to her surroundings. On the front of building 240 is a sign that catalogues the asbestos work apparently taking place in the basement as workers remove the piping. It is being carried out by New York Insulation Inc. who have no website and don't return calls when I enquire about their work. When the West Center team come around later they try to take the asbestos sign down before realizing the work is due to finish in December. Jackson-Forbes told me later that under Farrakhan the pipes were going to be changed but he dropped the operation after asbestos was found. She is also convening a tenants' association meeting to discuss the dangers of asbestos.

Inside building 240, Mike Gorney, 28, foreman for DV Group, the construction subcontractors, said: "There's like six squatters in here,

they can't kick them out yet." But yet West Center said that only half the 16 people living in building 240 are actually squatters. The other eight are just residents, there by right, with West Center's blessing. A mother and her four-year-old son living in building 240 reported that there was no attempt to rehouse them; in fact they are being evicted. "They didn't rehouse us and now we apparently owe \$4,000." Her welfare claim has removed her son so she can't pay the rent. "My little son has asthma, how do you think all this dust is effecting him? I don't even want him in here. I was living in complex 37 but they moved me here."

In building 230, which is across the plaza, there is a sign on the outside which reads: "No tenants allowed in this building. Hard hats only." On a public holiday with no construction I found over 10 people living there, squatting, with the full knowledge of West Center it transpires, although the project manager for DV Group later claimed no knowledge of this. The hard hat regulation was apparently put up after a worker for DV Group had been hit on the head by a falling brick, and now all workers walk around with their heads covered – not the squatters though. One of the residents is Ernest Bethel, 54, whom I find descending a flight of stairs on his bottom and pulling his wheelchair behind him. He has one leg, and obvious mental problems. He tells me that he has to pull himself down and up the stairs every time he wants to go out as only the construction workers use the elevators. It takes him about an hour, he said. Bethel has lived in the complex for over a year, according to West Center Management.

Another resident of building 230 is Rosemary Joiner, 69, who claimed she was thrown out of her apartment in another building and put in a single-bedroom apartment in building 230. West Center agreed this was the scenario, but they claimed she had not paid any rent. She now lives in 230 and is distressed and unkempt. When I was in the West Center office she was complaining that she had been kicked out of the



## THE RACKET

room she was squatting in by her roommate. West Center Management won't give her the key to her old apartment to return her clothes there.

Building 230 is like a bombsite with detritus of every kind – clothes, bottles, garbage, electronics, concrete, brick, wood, metal – strewn over the floors. Every occupied apartment can be identified by the color of the door. Apartments that are being renovated have a new gray door; the doors in which the squatters are living are red because they cannot knock them down yet. There are all sorts of people – mostly old, and, according to West Center staff, drug users. West Center says these people are under eviction proceedings. Jaswinder Singh, project manager for DV Group, was incredulous. “Nobody lives there,” he said. Is it safe for habitation? “No, it's not safe,” he replied. He said that there is asbestos in the basement like building 240, but there is no sign on the outside detailing any work. Ravi Gukral, the project manager of the whole operation, said: “We follow orders, they have dates to get evicted.”

On both buildings, Keish Frith, 29, administrative assistant in the West Center office on location, said: “They should have got the residents out before they started. When you are working with different people they work by their own rules. It may not be illegal, but it's not fair.” “It's all for show,” said a man wanting to be identified as Slasher. “They want it to look good on the outside, but really nothing is happening in here.” He was waiting outside the management office to report a suspicious occurrence on the weekend. “They told me that they can't access the camera records until three days later,” he said. “It's now three days later and now they say that the cameras inside the buildings aren't working.” Slasher had spotted a man who he didn't recognize on the fire escape at 4am looking through his window. “I told security that morning, and they said they didn't have the ability to rewind!” He added, “I mean, someone died here two months ago, you would hope they had set the

## DESTITUTE AMERICA

cameras up properly. I don't even think they are turned on." This lack of respect for the lives of the American poor was because they could not make the racket money. But unfortunately for these same people, before long the racket realized that locking up people was a way to make money off the destitute and hope-starved poor of America. It was called the "War on Drugs".

# THIRTEEN

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# LOCK-UP AMERICA

## SOCIAL CONTROL

As in Latin America, the domestic version of the Drug War is also a naked effort at social control. It has focused almost exclusively on the black and Latino communities of the US, who make up 60 percent of the prison population, even though they are just 30 percent of the general population. It has also made billions of dollars as the racket works to pull the prison system out of the hands of the American people and run it for vast profit. In fact, the rise of private prisons has coincided nearly exactly with the rise, over the past three decades, of the so-called War on Drugs. One study found that “people of color are represented in private prisons at least ten percentage points greater than in state-run facilities.”<sup>1</sup> Nearly half (48.8 percent) of prisoners in the US are behind bars for drugs offenses.<sup>2</sup> The racket, however, never throws its own in jail: just 0.4 percent of the prison population in the US is composed of those guilty of financial crimes.

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<sup>1</sup> Michaela Pommelis, “Study: more people of color sentenced to private prisons than whites”, *Huffington Post*, February 21, 2014.

<sup>2</sup> [http://www.bop.gov/about/statistics/statistics\\_inmate\\_offenses.jsp](http://www.bop.gov/about/statistics/statistics_inmate_offenses.jsp)

The move to put hundreds of thousands of Americans behind bars began in the 1980s when “mandatory minimum sentencing” for drugs offenses was introduced. It meant that there was no chance for discretion in drugs cases; if someone was caught with something, anything, they would be going to jail. This was accompanied by a focus on what politicians, eager for votes, called “law and order”, which meant more punitive sentencing as politicians vied with each other to prove who was toughest. They were driven in part by the racket, who could smell the money. Private companies pushed further into state prisons from their strong position in the federal system. They began by soliciting speculative prison building projects at the county level, creating what has become known as the “prison bubble”. The private companies would go in to a rural county and say, you can build a jail that’s much larger than anything you’ll need for your own criminal justice problems, but you can lease out extra beds to receive contract prisoners from the federal government. In Texas nearly a dozen counties entered the bubble using taxpayer debt but now can’t find prisoners to fill the buildings. At this point the private companies ditch the contracts and the taxpayers are left holding the bag. This is how capitalism works – the risk is socialized, and the profits privatized. The quantity of human misery and waste this system has created is horrifying. In the 20 years to 2007, the national prison population in the US trebled to 1.6 million people, or nearly 10 percent of adults, by far the highest in the world. Nine percent of these are held in private facilities, where the average cost of keeping an inmate housed for a year comes to \$25,000. Unfortunately for the private interests making a killing, the bubble now appears to have burst: incarceration rates did not increase as fast in the five years to 2011, and in 2010 fell for the first time in 20 years. But you can be sure that these companies are coming up with ingenious ways of maintaining this lucrative business.

## THE RACKET

When I was in New York, this move to privatize the prison system was actually picking up again. The racket was using the excuse that state deficits had to be combatted, and that the American people should hand over “costly” prisons to private interests. The racket was using this same excuse to get its hands on all sorts of public institutions, and the prisons attack was working, despite the fact that it was not obvious it would save the states any money. There’s a pretty simple rule for these things: once the racket get a foot in any industry or institution, there is an inevitable logic which says it will want more and more. It will never be happy with running just a part of something. So Florida alone was planning to privatize 29 of its prisons. I spoke to one analyst covering the private prison system at an investment bank in Atlanta who said it was “the single biggest privatization program of state or federal prisons in the history of the US”. Arizona was also having a string of public hearings on a plan to add thousands of privately operated prison beds, while Ohio had announced plans to raise \$200 million by selling off five state prisons. Something was definitely happening here. Others followed suit as private contractors pitched themselves as a solution to cash-strapped states’ fiscal woes.

The Florida plan had a new twist. Instead of outsourcing only newly constructed prisons, the state planned to outsource existing beds as well. I called up the Florida state senator who was pushing this reform most forcefully. Elected representatives all over the US represent the racket, not their people, but it’s still worth hearing their rationalizations. “Probably 5 percent of prisons in Florida are currently privatized,” J.D. Alexander, an influential Republican, told me. “This expansion of privatization will bring it to one-third.” As time went on, there was no doubt he, and his allies in the private prison business, were looking for 100 percent “penetration” of the market. The public would own nothing. Of course, this was merely the “American way”.

“I think competition makes us better, it’s an American sort of view: let’s create competitive environments, privatize a portion,” he added. But it later emerged that the state would incur \$25 million in losses from compensation paid to 3,800 workers who would lose their jobs in the privatization program. Corrections officers are already among the lowest-paid employees in the state. “During the privatization process, they will go into unemployment and foreclosure,” said John Rivera, president of the Police Benevolent Association, which represents Florida’s correction officers and was opposed to the privatization. “They will get their cars repossessed, they won’t be able to pay for medical care, and so the state will have to pick it up. And those that have seniority, it will cost the state to relocate them.” Lawmakers, largely Republican, and the contractors argue that private companies can run prisons cheaper – largely through savings on wages and benefits for workers. But analysts say the statistics do not match. These saves, for example, are mitigated by the fact you have higher turnover among employees and more lawsuits due to lack of sovereign immunity. Private companies also usually cherry-pick the lowest-cost offenders and leave the state to deal with serious and dangerous offenders who cost more. “A lot of the time when you see numbers for private prison costs to state costs it’s not apples to apples because they are not taking most serious offenders,” said Scott Henson, an analyst covering the corrections industry in the US. “In Texas the private facilities haven’t wanted to take on serious offenders.” Private prisons want the healthiest prisoners, not the “hard-core” troublemakers – the ones with misdemeanours or felonies – they want the state to bear those costs. But a lot of states have yet to realize that this is a scam, or have realized but it is making too many people rich for them to stop it. In private prisons you have less experienced officers, and a lower guards-to-prisoners ratio, so you really are running a risk of prison riots and prison escapes. The real reason why private prisons

don't want real troublemakers, and want the least violent prisoners, is so they can run it like a college dorm rather than prison.

## PERVERSE INCENTIVES

It is also in the companies' interest to keep more and more people locked up as it pumps up their bottom line. If you have a state-run prison there are fixed costs that are there whether it is full or half-full. For privately run prisons – where you are getting paid by the head – there is an incentive in the other direction. It sometimes crosses into overt corruption, such as paying judges to send children to prisons, which is an extreme example of the warped and unhealthy incentives that private incarceration creates. In February 2011, a juvenile court judge in Luzerne county, Pennsylvania, was convicted of racketeering after he accepted money from a private prison operator in exchange for handing down extremely harsh sentences in order to guarantee prisons would be full. “It simply does not save money,” said Mr Rivera. “For example, recently they told legislators and the community that they would save \$22 million a year yet now they are already \$25 million over budget. The private prisons' selling point is they can do it more cheaply. If they are able to do it more cheaply, even though the evidence does not support it, they have to cut somewhere so they tend to cut staff ... In prisons understaffing has consequences. In 2010, in Kinman, Arizona, three prisoners escaped from a private prison and the official inquiry found the private company at fault because of lax staff training. There are very real risks. If you understaff a prison the consequences can be very serious indeed.”

Of course, the companies in the sector are big political players, being significant campaign donors in elections across the country. In reality, the privatization effort is more driven by political patronage than cost savings. It's quite simple: anytime you have profit as the main motivator

for the safety of the public, it is a bad formula. Government's first responsibility should be to its people; a corporation's first responsibility is to its investors. "I'm reminded of the old adage, if it sounds too good to be true, it probably is," David Fathi, director of the American Civil Liberties Union's national prison project, told me, accurately. "The claim that private corporations can do the same job more cheaply and still generate profits for stockholders is pretty implausible on the face of it," he added. "It is in fact not true."

Two companies dominate the US private prison sector: Corrections Corporation of America and GEO Group. Over the past decade the two "big ones" have gobbled up a host of smaller companies and consolidated the industry. In 2010, Geo acquired the third public company that operated in the market, Cornell, for \$730 million in stock and cash, creating a "duopoly". They are faceless, both refusing to be interviewed by me. This monopolization of markets is another feature of capitalism: power and capital centralize. The companies are not run particularly well. They are highly indebted and rapidly accumulating more debt. They both dip into day-to-day operations to service debt payments. But the racket obviously think they will get more business in the future: Corrections Corp's shares rose 7.5 percent from 2006 to 2011. Wall Street is happy to lend them money at low interest rates.

The politicians are a product of this: they work for, and are probably funded by, the real power in this debate – not the plucky state senator, but the corporate behemoths that are devouring society and all its assets. They already own over 300 prisons nationwide and it's getting worse. Now there are around 135,000 prisoners in private prisons in the US – 7 percent of all state prisoners and 16 percent of all federal prisoners. Private prison corporations are trying to expand the market for their services. In communications to shareholders they are forthright about the fact that they are looking to expand prison privatization



and lobby and provide campaign contributions strategically. They are sophisticated in their efforts to generate business. “We are at a turning point for incarceration policy,” said Mr Fathi. “For the first time in 30 years, the prison population actually went down last year.” There is no question that private prison companies deliberately and strategically support and recruit politicians who will lead to increased incarceration. Just as Eisenhower warned about the military–industrial complex, we now have a prison–industrial complex. Prisons will make more money the more people we incarcerate.

The police, often, themselves see the poor they are employed to control as nothing more than scum. When I took a ride around Brooklyn, New York City, with two white cops, their disdain was obvious. The two partners are regular car buddies and they work the 3.30pm to 11.30pm shift. They had a real disdain for their constituents “More filthy people,” said Officer Cavanella as we passed a housing project. This theme continued as he tried his hand at quack sociology, appropriating shibboleths from extreme conservatism. “These are low-income people who just don’t care,” he said. “They don’t respect us, they don’t respect themselves, they don’t respect nobody.”

## CUTTING JUSTICE

While profit was being made from the privatization of the prisons, funds were being savagely cut from the public side of the justice system, in keeping with the racket’s priorities. In New York, I met Jimmy Boone Amos waiting outside the arraignment court in downtown Brooklyn for her husband to appear. It was 4pm, but she had been sitting there since early that morning. “I’m tired of waiting,” she told me. Her husband was arrested 23 hours earlier for grabbing a woman in the street during what Ms Amos calls a diabetic attack. “I’m really worried about him,”

she added. “They’ve had him for ages and not told me how he is. I don’t know if he has insulin or anything.”

United States law prescribes that anyone charged with a crime must be arraigned before a judge within 23 hours. But cuts at both the federal and state level meant that court budgets had been devastated and that the target is often not met. Over a single weekend in 2011, 57 percent of arraignments in Brooklyn went over the required period. But arraignment times are just one of many problems that cuts to the state budget have created in New York, and the US at large. The poorest and most vulnerable are hit hardest, as is often the case when public services are cut. Ms Amos is one of many New Yorkers who have had to suffer needless pain as the state draws back on its constitutional commitment to properly fund its justice system.

New York chopped \$170 million from its \$2.6 billion budget for 2011, around 6.5 percent. This had already had a serious impact far beyond arraignment times. Across New York, courts now close at 4.30pm instead of 5pm. The ability of judges to take in all the information they need is now compromised as they rush through cases so they can adjourn at the right time. The state used to have night family courts, where if a woman wanted support or an order of protection she could go after work or at an unsociable hour. These are now closed, putting at risk women who are victims of domestic abuse and other forms of violence.

Small claims courts in Manhattan, the Bronx and Queens used to be open for four nights a week, but that has been reduced to one (and in Staten Island’s case, the reduction is from once a week to once a month). Small claims courts are where tenants can take on their landlords and consumers can challenge big corporations. Both those crucial functions are disintegrating. “In Staten Island now, if you wanted to sue Macy’s for whatever reason you would have to wait nine months,” said Dennis Quirk, president of the New York state court officers’ association.

“Certainly morale is lower than years past,” added Howard Schwartz, a Brooklyn-based criminal defense attorney sitting outside the same downtown court. “There’s more work for fewer people.” He says it takes longer for clients to get into court, that cases take longer, and that judges now have to give less attention to arraignment cases because of the heavy load. “The system is overburdened,” he added. In 2011, the New York court system laid off 441 workers, or about 3 percent, on top of the 2,000 who retired in 2010, swelling the hordes of unemployed in the city. Those still in a job are massively overworked. “The cuts are having system-wide effects,” adds Mr Quirk. “Everybody has too much to do and it is having an effect on people getting their day in court and justice being served.”

The US prides itself on its adherence to the rule of law, but starving the courts system of money is seriously affecting the ability of ordinary Americans to get justice served. Evidence is being more hastily assembled and analyzed, people are spending too long in cells before being charged, and vulnerable people are losing the slim protections they have against violent and abusive relatives or partners. Moreover, these cuts were not inevitable. In the three years that the emergency “millionaires tax” had been in place in New York, it generated \$13.8 billion in revenue. The law raised the rate of income tax for New Yorkers making more than \$500,000 by 2.1 percentage points to 8.97 percent. If that tax bracket were raised again, many of the New York justice system’s problems could be solved, and the long wait of people such as Jimmy Boone Amos, and many more Americans across the country, could be made shorter. But the racket does not like such ideas. In the ruling ideology, that’s “class war”. But in many places around the world, the endless and empty propaganda is wearing thin, and people are taking things into their own hands. Here’s where hope begins.

**PART FOUR**

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**WE'RE  
LOSING YOU**



# FOURTEEN

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# TURF WAR

## THE MONROE DOCTRINE

A brief re-cap. The early 21st century has seen the biggest political shift in the western hemisphere since the murderous thug Christopher Columbus thought he had arrived in the Indian subcontinent but had actually “discovered” the (already inhabited) Americas. Since 1823 and the so-called Monroe Doctrine, the western hemisphere has been designated by American planners “our backyard”, a vast resource-rich expanse open for pillage and exploitation for the gain of an elite class in the US and a handsomely rewarded quisling elite in the colonized countries. This dynamic has been constant and unbroken for two centuries. President James Monroe obviously didn’t put it in these bald terms when he made his address to Congress on December 2, 1823, which forms the basis of this so-called doctrine. Monroe said that day that countries in the western hemisphere “are henceforth not to be considered as subjects for future colonization by any European power”, which sounds like a good idea for the subjected peoples – until you realize Monroe instead gives his own country the right to take over from the European powers. “We owe it, therefore, to candor and to the amicable relations existing between the United States and those

## THE RACKET

powers,” he continues, “to declare that we should consider any attempt on their part to extend their system to any portion of this hemisphere as dangerous to our peace and safety.” He was telling the European powers simply, “It’s ours now!” And it was. Under this naked imperialism dressed up in fusty diplomatic language, the US took Cuba from the Spanish in 1852 (the US still illegally occupies Guantanamo Bay today), and then Puerto Rico in 1898 (which the US still owns today).

As the European empires broke down after World War II, the idea of imperialism became increasingly untenable as indigenous people removed their oppressors at a rapid rate. But while Europe lay in ruins, the US was rising to its superpower status, and the racket wasn’t going to lose control of their “backyard” during the ensuing Cold War with the Soviet Union. Occupations were frowned upon now, not least by an American population culturally averse to empire and imperialism. So instead the intelligence services turned to subverting any Latin American government that did not support American business interests, away from the attention of the American people. First went Guatemala in 1954, a coup against the center-left President Jacobo Arbenz who had the gall to redistribute land to landless peasants from the United Fruit Company. The CIA stepped in and installed a military junta and started one of the most horrendous civil wars in history that left 200,000 people dead.

Any country that elected any sort of left-wing politician would incur a terrorist war of anti-democratic aggression. The Dominican Republic in 1963, Brazil went down in 1964, Chile through the 1960s and eventually succumbing in 1973, Nicaragua in the 1970s, and on and on. All the governments I mention were democratic, and in many instances they were replaced with a collection of open neo-Nazis, fascists and other such dregs of humanity. It was all cloaked under the guise of the war against the “Evil Empire”: Soviet Russia, much like

today's Islamic fundamentalism, gave the US an excuse to do whatever it wanted. Hundreds of thousands of people were slaughtered across Latin America with the support of many US household names: John Foster Dulles starting the Guatemalan bloodbath, Henry Kissinger the dictatorship in Chile, Ronald Reagan supporting the fascist Contras against the democratically elected Sandinistas in Nicaragua. These figures are all hailed as great heroes to this day in mainstream American culture, although not by the rest of the hemisphere, for obvious reasons. John Perkins, who worked as what he called an "Economic Hit Man" for a US corporation for decades, has written a book exposing the type of work he did. He described it succinctly in an interview: "Basically what we were trained to do and what our job is to do is to build up the American empire. To bring – to create situations where as many resources as possible flow into this country, to our corporations, and our government, and in fact we've been very successful. We've built the largest empire in the history of the world. It's been done over the last 50 years since World War II with very little military might, actually. It's only in rare instances like Iraq where the military comes in as a last resort. This empire, unlike any other in the history of the world, has been built primarily through economic manipulation, through cheating, through fraud, through seducing people into our way of life, through the economic hit men. I was very much a part of that."<sup>1</sup>

But even with this tragic history of exploitation and mass murder, optimism swept the hemisphere as the 21st century opened. The western hemisphere – especially Latin America – was finally shaking off the shackles of the imperial bully, and this time they were winning. No longer would democratically elected leaders from Chile to Bolivia

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<sup>1</sup> "Confessions of an economic hit man: how the U.S. uses globalization to cheat poor countries out of trillions", interview with John Perkins, *Democracy Now!*, November 9, 2004.



## THE RACKET

to Brazil to Venezuela allow their sovereign nations to be balked by the giant upstairs. When they proposed economic plans to give the wealth of their land to the people who actually live in it rather than to rich corporations and exiles in Miami, they would no longer be resigned to the US trying to overthrow them, they would be ready.

In Bolivia, when the fascist paramilitary groups in eastern provinces like Pando massacred indigenous peasants and the pale-skinned traditional elite tried to start an uprising against democratically-elected President Evo Morales, he didn't stand for the encouragement the US was giving: as we have seen, he kicked out the ambassador. He also brought the governor, who had incited the massacre, to justice. On top of this stern action, all the newly independent center-left leaders of the Latin American bloc came to Morales' aid at the UN, they knew that together they were a powerful force that couldn't be crushed under the boot of the American government.

Hugo Chávez in Venezuela followed suit and kicked out the US ambassador there. And who can blame him? In 2002 when he himself was ousted temporarily by a US-backed coup that put a millionaire businessman into power and suspended the constitution and democracy, the people of the Venezuelan barrios fought back, marching in their hundreds of thousands for the first leader that had ever considered them worthy of their own resources. He had to be reinstated because the people of Venezuela were too powerful and alive to their plight to watch history be repeated.

This particular generation of left-wing leaders has learnt from the past. They know about the CIA, the National Endowment for Democracy and other agents of US government, and they are consciously locked into a battle. In Bolivia, for example, the indigenous communities are equipping themselves to fight back; there is none of Salvador Allende's erroneous belief in pacifism – “if the

right-wing try to liquidate democracy we will fight you to defend civility”, is now the message. And because there is no Cold War, the US government and its conduits in the corporate media are finding it harder to paint any politician who is vaguely left of center as an agent of Soviet Russia. Having said that, the *New York Post* did without shame describe Chávez – one of the most frequently elected leaders in the world – as a dictator. In addition, the US imperial project is so bogged down in the Middle East – where support for dictators has been equally obscene – that they have in many ways taken their eye off the ball. It’s arguable that without 9/11 the Venezuelan revolution would be history by now, as well as Morales. Further still, when in 1975 the US helped set up Operation Condor – a continent-wide terror network – with their surrogate General Pinochet, they could count on the compliance of the security states they had helped set up. Now the tables have turned. With Fernando Lugo’s election in Paraguay the whole continent became a left-wing independent bloc; and although Lugo was unfortunately overthrown in what he called a “parliamentary coup in judicial dress” in 2012, for the first time in centuries, things are looking up in Latin America, and a strong alliance is building. Democracy, economic justice and dignity are returning to the continent and US influence has started to wane.

## TAMPER-PROOF DEMOCRACY

In an essay in 2008, the historian and theorist Perry Anderson asked why the capitalist classes, after World War II, allowed democracy to flourish in Turkey but not in Spain. In two short paragraphs he explained the history of “western democracy” in the 20th century. In Spain after the war, he wrote: “democratization was an unthinkable option for [General] Franco because it would have risked a political

volcano erupting again, in which neither army nor church nor property would have been secure.” For Franco and his business supporters, dictatorship was the only option. But they needn’t have feared. After 36 years of the general’s nightmare rule “[e]conomic development had transformed Spanish society, radical mass politics had been extinguished, and democracy was no longer hazardous for capital. So completely had the dictatorship done its work that a toothless Bourbon socialism was incapable even of restoring the republic it had overthrown.” Now, in other words, Spain was safe for democracy, which was duly established in 1975. “In this Spanish laboratory could be found a parabola of the future,” continued Anderson, “which the Latin American dictators of the 1970s – Pinochet is the exemplary case – would repeat, architects of a political order in which electors, grateful for civic liberties finally restored, could be trusted henceforward not to tamper with the social order.”<sup>2</sup>

This *tamper-proof democracy*, sensitive to vested interests but not the will of the population, has been erected throughout the world, pushed primarily by the US government. Any disobedience to the “consensus” is punished harshly. Leaders who don’t subscribe to it are vilified in the American and general, western media, and in the event of any particular populations taking democracy too seriously, the US will put in a tyrant to prepare the ground for the right kind of democracy. Historical examples of democracy getting “out-of-control” are legion, from Aristide in Haiti to Mosaddeq in Iran. And the enforcers are notorious too, from the Contras in Nicaragua to Suharto in Indonesia. But history is lived in the present and the dynamics of international relations haven’t changed all that much. We are now living through the latest, possibly last, stage of this battle between a global population that

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<sup>2</sup> Perry Anderson, “After Kemal”, *London Review of Books*, September 25, 2008.

wants a democracy that prioritizes the people, not big business and not capital, and a ruling class that wants it the other way round.

This time around, the fly in the ointment is Latin America, the main site of global resistance to tamper-proof democracy. It might not be a coincidence that the fight-back is being consolidated in a part of the world often dismissed as “irrelevant”: it’s probably the reason the US and its allies haven’t managed to stamp it out (although, to be fair, they’ve tried). This form of democracy so loved by the West and their satraps in the developing world – one of a disengaged population picking between two business parties every four years – is being seriously subverted all over the continent. The great democratic pantomime we are subjected to in the West (and the nations we make in our image) isn’t working on the people of Latin America. Their democracies are becoming safer for their people. There are real political parties, like Evo Morales’s Movimiento al Socialismo (MAS), with real principles and real objectives that are serious about tampering with the social order for positive change.

This percolation of knowledge into the US mainstream is naturally scaring the gatekeepers of political discourse, who have been able to expatiate on their love of democracy for decades without being troubled by the existence of alternative definitions. Now the pretense is becoming harder to maintain and the reaction is sadly predictable. The almost subconscious contempt for democratic movements in Latin America is the result of centuries of unthinking domination, a similar psychology to that of a schoolyard bully who’s had his run of the yard for so long he gets complacent. Suddenly, when he’s taken his eye off the ball in order to clobber some other poor kid for his bag of sweets, the first kid decides to finally stand up for himself. It’s hard to take.

For Perry Anderson, the template of Spain after Franco’s destruction of civil society “has become the general formula of freedom: no longer

making the world safe for democracy, but democracy safe for this world”. Through a confluence of historical factors, Latin America is the crucible where the last chance to make a world safe for democracy is being fought. The importance of this battle shouldn’t be underestimated: if it fails, we might not get another chance.

## CARACAS, VENEZUELA

Caracas, the capital of Venezuela, is the focal point of so many of the country’s divisions. The center of the city is a mix of bustling street markets and modernist skyscrapers lined along wide avenues. In the mountainous suburbs the city’s elites live in tree-lined streets peppered with flashy condos and fancy pizzerias. But Caracas is perhaps best known to outsiders for its barrios – the vast slums in which thousands of makeshift houses cling precariously to the foothills. The barrios have long been the hub of support for Chavismo. It was the people in the barrios who descended from the mountains to the presidential palace in their thousands to support Chávez when he was briefly deposed in a US-backed coup in 2002. When I was in Caracas, I took one of the city’s new cable cars to visit the barrios. The cable cars were built to link different parts of the vast slums. The lines to get on the bus at the other end are long. It used to take two hours on the bus through the winding mountain roads that snake through the barrios; the same journey by cable car takes 17 minutes and costs 10 cents. The cable cars that hover over Caracas have transformed the lives of thousands of the poorest Venezuelans. They are state of the art, clean and run without any problems. It appears no money was spared in its construction. As you walk through the barrios, graffiti dedicated to Hugo Frias Chávez, the secular deity of Venezuela since his death, is commonplace. Some of them are stencils, obviously paid for and designed by the Chavista

government itself, but many are improvised outpourings of thanks from the people.

Venezuela should be one of the richest countries in the world. With the world's second largest reserves of petrol, it has a natural resource that makes the swathes of ghettos and palpable poverty in the country an embarrassment. For centuries before Chávez, this petrol had been extracted with the interests of the racket in mind: money flowed to western multinationals and their shareholders, alongside their oligarchical Venezuelan representatives. With Chávez, for the first time, the natural wealth of the country was spread throughout society, focusing as it should on the poorest. Missions of teachers and doctors were sent into the barrios to bring to an end the shame of poverty in such a naturally rich country. As a result, over the period of Chavismo, Venezuela has reduced poverty by more than any other country in Latin America, including Brazil and Bolivia. This is not to say there aren't problems with the country and some tenets of Chavismo. The lack of judicial independence is a significant problem, with Chavista control near absolute. There have been shortages of essential foods and inflation is sky high. Some of this is undoubtedly the fault of the traditional elites in the country who have tried to squeeze the economy to bring down Nicolás Maduro, the man who replaced Chávez after his death, as they tried during the huge strikes early in Chávez's tenure. This "making the economy scream" as Nixon called it, worked wonders in 1970s Chile, helping to create a climate in which General Pinochet could overthrow Chilean democracy. It looks less likely to succeed in Venezuela. Despite the anti-government protests of 2014 which called for "*la salida*" of Maduro ("the exit"), the Chavista government keeps winning democratic elections fairly. What is the racket to do?

In the frankly embarrassing hysteria that gripped the American media, Chávez was compared to Saddam Hussein, Pol Pot, Idi Amin

and even, echoing Donald Rumsfeld's idiocy, Adolf Hitler. "Mr Chávez shares much in common with these former dictators who killed and trampled human rights as a means to their own ends," wrote Douglas MacKinnon in the *Washington Post*. Chávez had some of the most stellar democratic credentials in the world. Since being democratically elected in 1998 by a landslide victory, he went to the Venezuelan people again in 1999 and won approval for important constitutional changes. He won another general election in July 2000 when he was elected with 60 percent of the votes, which dwarfs figures from the "home of democracy" such as the US and UK. Later, in December 2000, he won a referendum that called for the state monitoring of labor unions' elections. And then, a presidential recall referendum – which was enshrined in Chávez's 1999 constitution – was triggered in August 2004 when opposition groups collected signatures from 20 percent of the electorate, as the constitution stipulated. Again Chávez won: 59 percent of the population voted "no" to the recall in an election overseen by the best election auditors in the world. By my reckoning, that counts as three general elections and two referendums in nine years. It is hard to find a more exercised populace in the entire world. This stands in stark contrast, of course, to George W. Bush, who, and it is now uncontroversial to say this, stole the election in 2000 in a dictatorial putsch more common to a banana republic. And this brief primer also leaves out the most telling part of recent Venezuelan history: the coup attempt by right-wing groups in 2002, which tried to use the military to topple the democratically elected president. The journalist Eva Golinger, in her book *The Chávez Code: Cracking US Intervention in Venezuela*, assiduously documents, through the revelation of previously secret US government documents, the succor and support that various of its agencies gave to this anti-democratic military coup, which briefly succeeded until hundreds of thousands of downtrodden people from

Caracas took to the streets to demand the release of Chávez who had been incarcerated by the new business junta.

So why the lies and misinformation about Chávez? The answer is simple and is deeply rooted in the political and economic policies of the United States. Venezuela under Chávez provided a symbol to the rest of Latin America, and to the wider world, of what a more egalitarian society can look like. In the aftermath of his election, Chávez created what he called “Bolivarian Missions” after Simón Bolívar, the great Latin American liberationist from the 19th century, aimed at reducing the massive and crippling poverty in the barrios around Venezuela. Hundreds of free medical hospitals were built providing healthcare to many people for the first time, and local grassroots committees were established to adjudicate their affairs. The infant mortality rate came down by 18.2 percentage points from 1998 to 2006, while income for the poorest strata of Venezuelan society grew *more than 150* percent from 2003 to 2006. For the first time in many decades, the oil wealth of this nation extremely rich in natural resources was redirected back to its people, and not, as history has demanded, passed to rapacious foreigners and their elite lackeys in Venezuela.

This is a dangerous example to set, and the thirst for this kind of justice is likely to spread. Henry Kissinger, in the analogous example of Chile under socialist Salvador Allende in the 1970s, called it a “virus that could infect others”. The racket continues to try to destroy it, but in the mountain-speckled skyline of south-eastern Mexico, the battle for survival and a dignified existence burns bright.



# FIFTEEN

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# FREEDOM FIGHTERS

## CHIAPAS, MEXICO

Oventik is two hours' drive from San Cristóbal de las Casas, the Spanish colonial town in the highlands of the Mexican state Chiapas. The roads are good apart from the potholes and the small animals that dart in the path of your motorbike. Breezblock houses with corrugated iron roofs, the accommodation of the world's poor, punctuate the pavements on either side. Oventik is not indicated by anything more than a decaying sign by the side of road, and it's different here. "*Estas entrando tierra Zapatista*", says the sign ("You are now entering Zapatista land"). To the side is a gate manned by four people, all wearing balaclavas, black socks pulled over their faces with a slit cut in the middle, from which their eyes peer out. These are the members of the EZLN (Zapatista Army of National Liberation), fighting back in the poorest state in Mexico. Looking down the long drive that runs through the community, you can see grand murals on the walls of all the buildings: Che Guevara and Emiliano Zapata are recurring themes. When I put in a request to come inside, the guards take my passport and return half an hour later: "You can

come in but no interviews”, they told me. Oventik is one of 13 “*caracoles*” (meaning “snails” in Spanish) that are scattered throughout Chiapas. They were won by armed struggle by the indigenous revolutionary group, the Zapatistas, after they rose up on January 1, 1994, the date when the North American Free Trade Agreement (NAFTA) signed with the United States and Canada came into force. As part of its provisions, the Mexican government had to change its near-century old constitution that granted common ownership of land. This was the straw that broke the back of the indigenous communities, who had suffered centuries of discrimination and oppression at the hands of the *latifundistas*, or large landowners. The neoliberal program of NAFTA, which quite simply removed Mexican sovereignty, had been edging closer in the preceding years. The *ejido* system, for example, was consecrated in Article 27 of the Mexican constitution. It’s a form of land ownership, created after the revolution, whereby the *ejidatarios* have the right to the produce of the land that they work. This just and humane law was ended in 1991 with the modification of Article 27 by Washington favorite, President Carlos Salinas, who reformed the agrarian law in line with Bretton Woods dictates. Salinas also started the program of certification of land rights that transformed the lands into smaller properties. This move of sovereignty from the people to foreign capitalists set the ground for the Zapatistas, named after the Mexican freedom fighter and revolutionary Emiliano Zapata, who claimed Mexico back from international capital in the 20th century’s first successful revolution.

The long path down to the bottom of the *caracol* is a muddy track. On either side stand wooden buildings dedicated to the “dignity of women”, a hospital, a school, a basketball court. My guide is not interested in talking; the balaclava reveals only the eyes, and the eyes have had enough of questions. The *caracol* has many different meanings for the Zapatistas. One of their mottos is “*caminar al paso del mas lento*” (“walk at the pace

## THE RACKET

of the slowest”), meaning that they can wait until the last member of the community is ready before they continue to move forward. There are murals peppered throughout the *caracol* depicting snails with the slogan “*lento pero avanza*” (“slow but moving forward”) – again signifying that they will move at a snail’s pace, but once they are all ready, they will progress. The Zapatistas adopt the tactic of using silence as a way of learning, to listen, not to shout. Rumor has it that they have been slowly preparing themselves and will soon re-emerge. Fuelling these rumors was the announcement when I was there that the Zapatistas would be organizing *escuelitas* (“little schools”) to be held in five *caracoles*. In these *escuelitas* seasoned Zapatistas will “give classes on their thought and action on liberty according to Zapatismo: their successes, their failures, their problems, their solutions, the things which have moved forward, the things that have got bogged down, and the things that are missing, because what is missing is yet to come”, according to Subcomandante Marcos, one of the Zapatistas’ most eloquent spokespersons, who is now back in Chiapas after a stint living in Paris. In the *caracol*, there is a feeling of empowerment and independence rare in the world, especially in this region. The Mexican military – which has carried out countless attacks on the indigenous communities – is not allowed, in theory, to come into this community, and you can feel the difference. The Zapatistas are the most organized of the indigenous resistance groups. Part of this is because of the hard-fought battles of the mid-1990s, resulting in the San Andrés Accords signed with the Mexican government through which they achieved a degree of autonomy.

## ACTEAL

Further up in the mountains, among the clouds and lawns of nature, is Acteal, a small indigenous town partly run by the Zapatistas. In 1996,

the most brutal of the massacres committed against the Zapatistas was carried out here, when 45 people were killed by a paramilitary group while praying in the local church. Many suspect the US-backed Mexican government was involved or at least complicit in the massacre. Soldiers at a nearby military outpost did not intervene during the attack, which lasted for several hours. Many of them were seen the next day washing the blood off the walls of the church. The Mexican government had used paid mercenary militias to terrorize the Zapatistas at that time.

I arrived in the middle of one of the many downpours and walked down the main street into a basketball court sponsored by the EZLN. The entire town was gathered to cheer on their local team. As in Oventik, the outsides of the houses and community buildings were decorated with murals depicting left-wing revolutionaries from Latin America; saints wearing Zapatista balaclavas; and children of different races standing hand in hand. A local man approached me and asked if I had seen the monument built to commemorate those who died in the massacre, and he pointed me in its direction. The monument stood a couple of dozen feet high, half covered by the clouds which were quickly descending over the village. The monument is a clay construction in which the 45 faces of those massacred are depicted, merged together in a collective wail. I went down some steps to the site where the massacre took place. No longer a church (it was torn down after the massacre), it is now an outdoor auditorium with painted wooden crosses nailed to the walls in memory of each person killed. Among the dead were a number of children and pregnant women. A man approached me and I told him that I was visiting from the UK. He asked me: "Why didn't you visit earlier, before they killed my friends?" I had no answer.

Back in San Cristóbal, I sat down with Roberto Chankin Ortega, one of the young activists who had been involved in the struggle from the beginning. We drank coffee in the café in the middle of the town's

main square. “It was a big surprise for a lot of people, the uprising of January 1, 1994. My father said there hadn’t been an uprising for 50 years, an indigenous uprising,” Ortega told me. “But after there was a lot of sympathy with the causes. The demands they had were very just, it touched a chord internationally.” He continued: “I was very young at the time so there was a romanticism about the armed struggle, the communiqués of Marcos, a new language which was very poetic, influenced by rock and roll. A new language of fighting. But it was also heavy at times, you couldn’t leave the house many times.”

Mexico is in many ways a failing democracy: the political class is divorced from the people and the education and healthcare systems for the poor are in disrepair. It should not be like this as Mexico is a country rich in resources and geographically fortuitously located.

## **FREE-TRADE SLAVERY**

When the Zapatistas burst on the scene on New Year’s Day 1994, they garnered a great deal of press coverage and international support. This attenuated the brutality of the Mexican military’s fight-back. When the Zapatistas occupied San Cristóbal, many were armed with guns carved in wood, a symbol of resistance. But the Mexican military were too strong and to avoid a massacre they withdrew into the Lacandon jungle after threats. Chase Bank’s memo a few weeks later, “Political Update on Mexico”, echoed the concern of capitalists across the West and stated: “The government will have to eliminate the Zapatistas to demonstrate their effective control of the national territory and security policy.” It was, of course, exploitation and a virulent racism, around since the era of colonialism, against the indigenous people that gave birth to the movement. For centuries the white interloper infantilized the indigenous population as a method of control – it tried to make

them into children psychologically, through a racist paternalism. Crushed under the yoke of the white man's guns at first, then as slaves to their economic system, this changed finally in 1994. "They stood up for themselves," said Ortega. "They are more owners of their liberty. For the indigenous, this process has dignified them. The government has of course invested a lot of money to get rid of the movement, which worried the United States, too." The government essentially wants to displace the indigenous people of Mexico, or at least those who happen to inhabit land that foreign capitalists like the look of. The white society in Mexico, in reality, still thinks of the "indio" as *poor, destitute and subhuman*.

Despite this, the autonomous zones are a big achievement in the face of extreme oppression and pressure from the government and the US-supplied Mexican military, who cannot enter the *caracoles*. Inside these zones, the Zapatistas have their own driving licenses, hospitals and schools – a real community within a state. "They are continuing to construct autonomy and resist," said Ortega. "The media don't give them much coverage any more, but the Zapatistas don't care too much, they are focusing on working on autonomy and realities."

"They survive because of international support," said a university professor I talked to. This may be partly true, but they also survive because they are organized and focused squarely on their true oppressor.

The US has trained the Mexican military for decades, sharing their manuals of counter-insurgency, alongside supplying billions of dollars to aid in the fight against drugs, a cover which is often used to discipline the dissident parts of the population, including the Zapatistas. "All over the world, the US interests make it dangerous for a lot of people," Ortega told me. "NAFTA was a disaster. A lot of public policies which were enacted as part of NAFTA have brought about privatizing of land, campesinos have been kicked off land, had their land sold or closed

down.” That free trade agreement itself has helped to destroy large parts of the previously thriving industrial base in Mexico, giving the narcos even more unemployed cannon fodder with which to get a grip on the country. As the *New York Times* put it: “NAFTA produced results that were exactly the opposite of what was promised ... domestic industries were dismantled as multinationals imported parts from their own suppliers.” But what the *New York Times* did not say is that NAFTA was designed like that on purpose. The aim was to make Mexico a slave state, even more so than it already was.

The Mexican establishment has presided over an economic model lauded by the Bretton Woods institutions and *Financial Times* editorials – i.e. high growth rates, big booty for foreign investors, and (this bit is kept quiet) yawning inequality. For example, the country’s growth was 5.5 percent in 2010, the highest in 10 years, but that same year the number of Mexicans living in poverty grew by more than 3 million, putting 52 million Mexicans below the poverty line, or nearly half the population. The *Financial Times* lauded such a state of affairs in a headline as “bloody but booming”. Bloody for poor people, booming for rich people – a succinct aphorism for the global economy.

“It’s not just the US, it’s international capitalists and their interests,” said Gaspar Morquecho, a Mexican intellectual based in Chiapas who is found most days in the Zapatista café in the heart of San Cristóbal. “In Africa, Asia, Latin America, everywhere, it’s the same, and it’s very hard to fight.” In 1992 Subcomandante Marcos defined this war against the world’s poor as World War IV. World War III had been the Cold War, won by the capitalists, and World War IV was being led by the victors – a war of the markets, the arms companies, the financiers, pushing forth and destroying countries, cultures and economies. In this sense, we are seeing in this the last stage of capitalism, and World War IV is the construction of a different way of living. “The US has many

plans of war – they go by names like Plan Colombia, Plan Mérida,” said Morquecho, who describes himself as an adherent of the Declaration of Lacandon which outlined the Zapatistas’ goals. “It’s a project of control of the hemisphere and has been going on for the last 200 years. The interests of the US at the least is to control the region of Latin America, but not just that, they go to war in Middle East, provoke China in Asia. They are introducing their brutal military and billions of dollars per year spent on it. They aren’t weak; it has got worse, more intense in the operations in Mexico. There is no weakness in the empire, opportunities for the EZLN are hard to find.”

He is right, but the Zapatistas have shown the shape of a pocket, a pocket of resistance, an outline of how you can use modern techniques to create such public support that it is impossible for the powers that be to crush it and maintain the façade of nobility they feed on like bloodthirsty vultures. The repression against the indigenous people has been brutal since they took their destiny into their own hands. It has become more complicated in recent years because a lot of powerful economic forces have come to Chiapas to make a quick buck, attracted by the favorable “investment climate” after NAFTA. Mexico was now, like other US satellites, “open for business” as the neoliberals say; more accurate would be “Mexico is up for sale”. These powerful economic forces are now trying to capture the political process completely to bypass resistance to the sell-off. The state-owned oil company Pemex is the latest of the Mexican people’s assets slated for sale.

In the indigenous people’s battle for their land, their enemies are not just governments on the federal or state level. Behind them, steering the ship, is the racket of private capital, the multinationals who want their resources, from water to petrol. In countries like Mexico, the state acts merely as an intermediary between foreign multinationals and the country’s natural resources, giving corporate power a legitimate face as



they open up the territory and evict the people. The state, contrary to its protestations, cares not a scintilla for the human rights of its own citizens. Such a state of affairs is the case in all the countries around the world that remain trapped under the US umbrella.

“The human rights situation has actually got worse over the past 20 years, in terms of the violence against the people,” said Gubi Chamatus of Frayba, the human rights center in San Cristóbal which has worked closely on issues related to the Zapatistas. “Before all these mega-projects were going forward where they could, there was no resistance, the people just said OK. Now, however, these same people are arriving, and people are saying no, and they are standing in front of construction, so the violations have gone up, because the repression is harsher against these people; they don’t want these situations, it’s embarrassing, it’s given the lie to all the talk of development and modernization.” As Rosa Luxemburg put it: those who do not move, do not notice their chains.

## **FULL-FRONTAL ATTACK**

The government of Mexico, like all states allied to the US, preaches the rhetoric of human rights but ordinary people don’t see them. Before they stood up and took control, the indigenous people were anonymous, the powerful could call them free with no contradiction. When they took up arms, they became the enemy, they were no longer representatives of the “good indigenous”. But the Zapatistas won the war for the hearts and minds of the world, so the Mexican military had to give concessions. The propaganda after the uprising declared “peace” in Chiapas. But 500 years of brutality and savagery will take a long time to rectify. The process for autonomy continues and with it violence. “The human rights of the indigenous, they aren’t guaranteed,”

Chamatus told me as we sat in his office. “When an indigenous group isn’t in accord with a mega-project or something like that, the state use the public force to repress it, or to move them.” Once again the people of a region are held ransom to the God of Investment. The attack on the poor and indigenous is full frontal, coming from economic, social, political and military forces.

So far, in Chiapas, the Drug War-fuelled violence seen in the rest of Mexico has not arrived. The war started by President Felipe Calderón in 2006 has affected nearly every other state of Mexico. But in Chiapas it hasn’t manifested, maybe because Chiapas has been heavily militarized since 1994 anyway; most of the state has seen a constant military presence since the uprising. Since that period, with US training and backing, there have been systematic violations of human rights in indigenous communities. In Chiapas, in fact, the pretext of the Drug War is being used to position more military in the state. “They are fortifying Chiapas,” said Chamatus. “In our experience, the violations go up with the presence of the military. There is a strong correlation. One of the things that has changed in Chiapas is that, before, the presence of the military was for the EZLN, now it is more ambiguous, it could be for this or narco traffickers. It gives them license to do whatever they want under the guise of drugs.” It was a familiar story, heard from Honduras to Colombia to Peru. It brought about a new strategy applied by the Mexican state, no doubt learnt from their American patron, whereby if a group speaks against the state it is speciously linked with organized crime, and from then on the state has *carte blanche* to do what it wants. “What they are looking to do is quite simple,” added Chamatus. “They want to impugn the legitimacy of the organization, the credibility of the organization, and criminalize social protest, criminalize the defense of human rights, criminalize not being in accordance with state. This is the situation now in Chiapas.”

## THE RACKET

It's a tactic as old as domination itself, and intended to target the EZLN communities because they continue in resistance. For this reason, they live in fear of the multi-billion-dollar military, which is typically the institution entrusted to enforce capitalists' interests when all other methods have been exhausted. In other words, the Mexican people pay tax for a military that is used to enforce foreign capital's interests.

There are more than 70,000 soldiers permanently placed in the beautiful hills and towns of Chiapas, a number that has been steadily rising since 1994, and the same number as in the whole of the rest of Mexico combined. From 1995 to 1999 the human rights situation deteriorated, particularly because the military and paramilitaries were sent in to "discipline" the indigenous people. The situation is not as serious now, but their presence remains strong, they routinely extort money from locals, and disfigure the landscape with roadblocks. The strategy of stamping on dissidence from the Zapatistas has moved to criminalization: they, and the human rights groups that support them, are branded as delinquents. It's an ideological war, too: rumors are spread that the Zapatistas are rich and stealing money. "The conditions of the country are in some ways worse than 1994," said Morquecho. "After 1994, there was a dirty war which had left 10,000 victims dead and many disappeared. In 2002, there was a new war with 70,000 victims, 50,000 displaced, 15,000 disappeared, and the last six years have been worse. Half the population is poor, that's 50 million people, and 15 million are outside of the labor market, in informal work. Half the population lives in extreme poverty, and this reflects in what is happening in the jungle. In this sense, we say the conditions are worse. But the other problem is, the capitalist system in this country is tremendously brutal and any act of rebellion, the answer politically is the military. In this sense, from 1994, the territory has been occupied by the military, and there is a strategy of counter-insurgency, and not

a program to combat poverty. The objective is to drain the water of fish, to limit the process of resistance in the Zapatista communities. The Mexican state has the political and military clout to neutralize the EZLN and the bases of support, and it is still trying.”

The indigenous still live in extreme poverty, without electricity or running water, in a virtual position of apartheid. But the process of 1994–95 is reversible, the gains of popular movements, whether of the Zapatistas or anyone else, are always vulnerable to being liquidated. When I was there the Partido Revolucionario Institucional (PRI) had returned to power; until 2000 it had been governing for 71 years in the “perfect dictatorship”, riven with corruption and behaving as a serial human rights violator.

As usual, the US was on the wrong side of history. When the empire and its racket is long gone, washed up like the rest of the superpowers of history, we will be able to say this. But, for now, when the vast riches of a small number of people depend on its rapacious course, the truth will stay silent, and the Era of the Myth surges on, ripping through society after society.

# SIXTEEN

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# REVOLUTIONARIES

## CAIRO, EGYPT

On January 25, 2011 a march was planned for Cairo, the capital of Egypt. There was a lot of publicity on social networking sites, but this had happened before. People knew something was going to happen on the Tuesday but no one really knew what. On that day something started in Egypt that would upset the imperial order set up by the US in the Middle East after World War II. People rose up against the corrupt US-backed dictator, Hosni Mubarak, and demanded real rights for themselves and their country. In the ensuing violence, the military and police murdered hundreds of Egyptians who were fighting for a better chance in life – the so-called “lost generation” of unemployed, terrorized youth. The chants at the start of the uprising that pushed more people to join the protests were all economic. The people were hungry, for food and for basic human dignity, which had been ripped from them by the regime. In the end the people won the battle, if not the war. The military declined to murder them en masse, and for that the Egyptians were meant to be grateful.

I arrived in Cairo just over a year later to see how the revolutionary movement, which had not achieved its goal of overthrowing the regime

but had merely diminished its power, had organized and what lessons could be learnt by other people crushed under the boot of a domestic dictatorship propped up by the most powerful country in the world. It was my first time in the Egyptian capital. There was a frenetic element to daily life on the street, with cars and people bursting from all the narrow sidewalks and roads. I met one activist, Sarrah Abdelrahman, who was something of a poster child for the Egyptian revolution, in a café on Talaat Harb Square. Before the historic events of January, the 24-year-old aspiring actress had been apolitical. Now you couldn't stop the self-described revolutionary talking about the struggle for dignity she and her people were engaged in. But 15 months on from those heady days, like many of the young secular left which spearheaded the revolt, she was disconsolate. "It's conceivable that we might end up with something even worse than Mubarak in a year's time," she told me. "I'm not going to lie. I thought the army and military were going to take the side of the people, but it seems now that they forced Mubarak to step down to save the regime, not to break the regime. I mean, the people in power now are criminals, actually they are worse than Mubarak." She added: "Now, half my generation is blind or limping or dead. The violence is out of control. When people go to a football match and then 70 kids die. They also massacred 25 Copts." But, she added: "I have hope for my generation because they were completely not politicized before, like me. Before if you asked anyone about politics or current events or wars in the region, they would only know about singers and football players, but now it's completely different." They had woken up.

## THE BOGEYMAN

The US had gone quite straightforwardly from supporting the dictator, Mubarak, to supporting his replacement, the equally undemocratic

Supreme Council of the Armed Forces (SCAF), and then later the coup regime of Abdel Fattah al-Sisi. True to form the US had supported and armed Mubarak to the hilt since he came to power in 1981; his regime scared the US by using the bogeyman of the Muslim Brotherhood, saying they would take over if any moves to democratization were enforced. The regime put dissidents in jail through risible military trials and torture; no one could organize without incurring the wrath of a vicious regime. For that reason, Egyptian society, like so many in a US-designed Middle East, lacked a liberal left party, there was nothing. The one thing the US had feared since Nasser – the Soviet-allied Egyptian dictator – was the rise of independent Arab nationalism, which might see nationalizations and the growth of socialism. They worked actively to destroy it – including by promoting radical Islamists, like Hamas in Palestine. The unions that had not been completely co-opted by Mubarak provided some means of organization, but when the uprising succeeded in bringing on elections, the Muslim Brotherhood took advantage of the destruction of Egyptian civil society that had taken place during Mubarak's regime and won. The Brotherhood had a leadership, they had access to the media and, perhaps most important, they had God on their side. In a population with such low levels of literacy and education, large swathes of the population were swayed by this pious party, which had little interest in improving their condition. The Brotherhood had never been leaders of the uprising; they had been reticent at first and then became followers. One of the strengths of revolution was that it was leaderless, but this also had its drawbacks.

Ms Abdelrahman for her part said she was angry at the way the US had reacted. "Before the revolution a lot of people in my generation were rooting for Obama actually," she said. "His hope propaganda was very media sexy and idealistic. But from what I've seen, first of all the tear-gas that I've smelt was made in the USA, and just the way the

statements from Obama and Hillary Clinton which were like, ‘Oh we’re just testing the waters to see what to do.’ They were a complete let-down, they just go after their own interests.” She added: “I mean, that’s different from Hollywood, or the culture or the people, the American people are different from the government. US foreign policy is inconsistent, they just look after their own interests, and they just don’t want anyone else to be the best apart from them.”

The US soon started meeting with the Muslim Brotherhood, seeing them as a bulwark against the extremist Salafis and the Brotherhood had no qualms about selling out: they made deals with SCAF and met with John McCain and any other foreign dignitaries that made it to Cairo to solidify the position of the client state. “Imagine that Egypt is a woman who is covered in wounds and she is kind of bleeding all over but she’s covered,” said Sarrah. “What happened is the uprising kind of unveiled all these things, so you are starting to see all this mold, this pollution, these infected wounds.”

The US gives the Egyptian military upward of \$1.3 billion every year, alongside joint military training. In response to the mass murder of Egyptian protesters by the military and police, US Congress passed a law in October 2011 stipulating that Egypt has to prove it’s moving toward democracy, while the \$1.3 billion reaches the Egyptian people in bullet form. In addition, the \$1.3 billion benefits the racket, creating a demand for American weapons exporters, and in Egypt it subsidizes the military’s economic investments. M1 Abrams tanks, for example, come to Egypt in parts that need to be assembled, and so tank-assembling businesses are created. Many of these are expressly joint ventures with western companies, like for example the joint venture with Jeep to create armored and commercial vehicles. “Because the military are so opaque we don’t know if it’s 15 percent or 40 percent,” Sharif Abdel Khouddous, an Egyptian journalist whom I first met working at



*Democracy Now!* in New York, told me in Cairo. “That being the range says a lot about what we know.”

Foreign policy in Egypt has for decades been merely reflective of US foreign policy – including the enforcement of the siege on Gaza since 2006, when Egypt allowed US warships through the Suez Canal. None of this, of course, reflects the popular will in Egypt. When Mubarak fell, Egypt was one of only three countries – the other two being the US and Israel – which did not have diplomatic relations with Iran. The secretary general of the Arab League was appointed foreign minister right after Mubarak fell and he asked why Egypt had its foreign policy dictated. He said the country would now have diplomatic relations with Iran, and open the Rafah border crossing into Gaza. Within a few weeks he was removed from the position.

The role that the US plays in backing the military was the essential core of the dictatorship. Mubarak had been in power for 30 years but the military had been ruling for 60 years and the military acts as a state within a state. “The US talked the same way as state media – they voiced support for Mubarak then realized it was too late for him, and they said he’s got to go,” said Khouddous. “But once he left, they voiced support for the SCAF, his replacement. The coverage in the US media has been very superficial. It skims the surface of what is happening. They wanted the narrative at the beginning that this was a western-friendly, Facebook-driven, young, cool crowd that led this, and they were at core of it. And they keep calling it a peaceful revolution, but at the end of the day, on January 28, there were 100 police stations that were burnt down, there’s violence all the time. They over-simplify as they tend to do, and have been slow to expose the military’s abuses, starting from the beginning but really in October with the massacre of 17 Coptic Christians in front of Maspero. The *New York Times* called that, for example, ‘sectarian

riots' when the army killed all those people. That kind of language distorts everything."

The then Secretary of State Hillary Clinton said initially, "our perception is the Mubarak regime is strong" which was implicit support for the dictatorship in the face of the protests. But as it became so clear that Mubarak could not continue, even the western press changed. Khouddous told me: "People like Anderson Cooper who came at the beginning and did the typical western media stenography – well, the Mubarak government says this and the protesters say this – but on the day the regime sent out thugs on camels they attacked western journalists. Cooper was hit in the head, and the next day, he changed. He was now saying, 'This is a popular mass uprising against a 30-year autocrat', which was the truth."

The Mubarak dictatorship gave the Obama administration no choice but to support the people of Egypt with this kind of violence and eventually President Obama said that Mubarak must step down. But all the time the US were playing behind the scenes too in negotiations to secure what was coming next: first, this took the form of support for Omar Suleiman, Mubarak's spy chief, to replace him. On February 10, 2011, Leon Panetta, then-director of the CIA, even said that Mubarak would step down before it happened. What the Obama administration wanted to see was secular young people who posed no threat to western neoliberal interests taking over the Arab world, but that didn't happen, it was never the Arab Spring. The State Department and White House press briefings from the period very clearly show people in the administration proclaiming their support for Mubarak in the early days of the uprising. It was only when it became clear that this was not going to be viable – and the full story of what happened between the military, Mubarak and the US administration is still not known – there was obviously some kind of

deal struck whereby the military decided to sacrifice Mubarak and take power. And then the US came out in support.

US policy toward the Arab Spring was incoherent – they supported protests in countries where the regimes were less friendly and, with the exception of Egypt, tended to be silent on places like Bahrain. A more coherent policy would mean they had to build genuine political alliances with civilian political forces across the region, something the US rarely does. “I think saying Obama was behind the Arab Spring is an insult to all Arabs, it’s an insult to my generation, and it’s an insult to all the people who were in Tahrir,” said Soraya Morayef, an activist. “There’s been a lot of rhetoric about how ‘they couldn’t have done this on their own’. Even Omar Suleiman famously said, ‘They’re being generated or supported by foreign elements, countries, someone with a political agenda.’ The thing is it wasn’t. It was organic, it was the coming together of so many different factions of society, not just the youth, not just liberals, it was workers, it was the disenchanted government officials, there were even conscripts from the military that were defecting and joining. It’s very insulting to say that any country, especially the US, was behind this. Because one of the chants in Tahrir during the 189 days was chanting against Mubarak and Omar Suleiman being agents of the Americans, and saying ‘US, this is what your money is doing, your money is killing our people’, and you’d find tear-gas canisters and gunshot canisters with Made in US on it. The US never supported the revolution, I feel it is responsible in continuing to pay the army that kills its own people.”

## THE ECONOMICS OF REVOLUTION

In Egypt’s case, the International Monetary Fund (IMF) did not impose the traditional strict structural adjustment programs after the

revolution, but looked to remake Egypt through more indirect terms. In June 2011, the IMF offered a \$3.2 billion loan “without conditions”, which no one believed – and it was rejected by the military because it was dangerous politically for them to assume the loan. But Egypt needed foreign currency; they had imported so much that they only had enough to pay for three more months of imports. The government then formally requested the \$3.2 billion loan. This time, however, sensing the desperation, the IMF said Egypt had to draw up an economic reform program. The result was an eight-page economic reform package, which included all the same policies of the Mubarak era – the magic words “structural adjustment”, the usual “broadening the tax pool”, “VAT increases”, “sales tax”.

In Egypt before the revolution, an extreme form of capitalism was being imposed, in line with Bretton Woods dictates. The rich were getting richer, while the poor got poorer. On top of this, the poor were routinely tortured and the army reacted viciously to strikes. They passed a law soon after the revolution criminalizing strikes and any other action stopping work, resulting in a fine and one year in prison. The Delta bus company had a huge strike for 12 days in December 2011, but the government made promises (which it didn't keep). The workers went back on strike again and this time the army broke the strike by getting soldiers to drive the buses.

It is important to note that the revolution did not occur in a vacuum; it didn't just happen as part of a domino effect after the Tunisian revolution. The Egyptian revolution was 10 years in the making through grassroots organizing. “It took years of coalition building to have grassroots movements behind you to have this thing explode,” said Khouddous. “I think its success was the 18 days were seen as this utopia, where we created this Republic of Tahrir, and it had the values and the principles that everyone wanted to see in the

rest of the country, or people in Tahrir did. And when Mubarak fell it was seen as this big moment, but I think a lot of people counted their success too early, and let forces in that should have been kept out and fought just as vigorously.” He continued: “I think the revolution is really more a state of mind, it’s a state of revolution we are living, so it’s continuing, it’s much more divisive and messy, but I would say that the lesson is that the fight is never easy, and some say never finished, you are always going to be trying to improve it. But when people come together, there’s nothing that could have stopped it. I still think nothing can stop it now.”

There was actually something unprecedented in history taking place in Egypt: a strike wave that had been going on for seven years *without worker organizations*. Other countries went through 10 years of strikes but they had unions, they had labor parties, they had revolutionary socialist parties. “Here in Egypt, I believe it’s a miracle that you have a strike wave now that has been going for seven years and you don’t even have functioning trade unions,” Hossam el-Hamalawy, a prominent revolutionary and organizer, told me. In Egypt the structure is very similar to what existed in the Soviet Union and in Eastern Europe: government bureaucrats appoint officials who claim to represent the workplace but in fact they have nothing to do with the workplace. Actually, the state-run unions have been one of the main factors in why several important general strikes have failed; historically, they have always intervened in industrial actions *on the side of the police*. And yet these strike waves were happening despite the fact there were no worker-run trade unions. Egypt witnessed a rising curve of social struggle between 1968 to 1977, led by workers and students. But it all came to nothing in 1977 when a mini-uprising was crushed. From that point, until 2005, Mubarak managed to destroy every single organization that did anything in the streets. “Mubarak’s was not a totalitarian regime,

it was an autocratic regime, it was all about him,” said el-Hamalawy. “The guy was so paranoid about numbers, to the extent that even one of our satellite sheikhs was forced to leave for Britain a few years ago for nothing, except maybe attracting some following amongst the youth. But in fact he doesn’t speak on politics at all, in fact he’s very reactionary. But the thing is that he had people around him – that flips out state security.” The seeds for revolution had actually been planted in December 2006 with a huge wave of strikes by workers. “Again, the state-run unions are not part of industrial actions unless it’s a factory that is being liquidated and the state-run union has not been given their share of bribes, so they are going to be fucked together with the workers. These were the only places I found the state-run unions are the forefront of the strike,” said el-Hamalawy. The uprising began with only three independent trade unions, but now in Egypt there is a federation of trade unions that claims to represent 2 million workers.

Nasser was initially affiliated to the Soviets, and the US only really became the major patron of Egypt with Anwar Sadat. But, el-Hamalawy said, Nasser really laid the ground for Sadat’s policies later. There was a steady restructuring of the public sector starting in around 1968. The common belief is that the neoliberal period in Egypt started in 1974 with the “intifah” policies of Sadat – in fact, it started in 1968. And in 1970, under the Rogers Plan, set out by US Secretary of State William Rogers to end the Israel–Palestine conflict, Nasser had already recognized Israel and said the 1967 Israel–Palestine borders were legitimate. But still it was Sadat who threw Egypt completely into the American camp, not just in terms of loyalty and affiliation to western imperialism, but in terms of economic policies. Sadat’s Egypt and Pinochet’s Chile were probably the first two countries to start enacting neoliberal reforms with a vengeance: Egypt in 1974, Pinochet in 1973. But the Egyptian neoliberal program got put on hold in 1977 during

the uprising, and the government started procrastinating with the reforms. “They only got the courage and the balls to implement with the outbreak of our War on Terror,” said el-Hamalawy. In many ways, War on Terror and neoliberalism always go hand in hand. In Egypt in 1992, the Dirty War started and it was then that Mubarak signed the deal with the IMF and World Bank to implement the Economic Reform and Structural Adjustment Programme (ERSAP), the usual package of neoliberal reforms conducive to the needs of foreign capital and a narrow local elite.

To understand how strange the lack of an organized mainstream left party is, it is necessary to step back from the western media narrative that presents the revolution as a snap uprising inspired by young westernized middle-class Egyptians on Twitter and Facebook. The roots of the current revolution go back to 2004 and involve years of heroic and inspiring actions by working people from Cairo to Alexandria and, in fact, all along the Nile delta. In 2004, the heir-presumptive of the Mubarak kleptocracy, Gamal, was handing out economic portfolios to his thieving friends who instituted IMF prescriptions attempting to privatize further a host of state-owned assets. Workers across the country fought back and started a string of successful strikes outside traditional trade unions, which were basically arms of Mubarak’s corporatist state. These groupings greatly upped the number of strikes. In 2004 worker collective actions stood at 202 nationwide. By 2007 it had more than tripled to 614 – often met with severe brutality from the security forces.

## THE FUTURE

This heavy history has to be defeated. “I would not say this revolution is successful unless US imperialism and Zionism are defeated in this region,” said el-Hamalawy. “The local and the regional are interlinked,

and the international of course, that's the third dimension. Make no mistake, people like me on the left believe our revolution will be completely destroyed if it is not exported to the rest of the region; you cannot build a democracy on an island in a sea of dictatorships. Egypt is the jewel in the crown of US imperialism in the region, the Americans are not going to leave it, the Israelis are not going to leave it, the Gulfies are not going to leave it, the Europeans are not going to leave it." In other words, if Egypt falls, the whole Middle East is going to fall – for the imperialist powers. "This current political movement here in Egypt it was all triggered by the Palestinian intifada 11 years ago. I've seen the 1990s, there was nothing. You couldn't pull together anything. The turning point was the Palestinian intifada. For the first time in three decades, you could mobilize the streets, and these mobilizations were over regional issues it is true, but it didn't take more than 10 minutes to start shifting to deal with local issues. The police turn up, they beat people, then people start chanting 'Down with Mubarak'. You know the first time I heard 'Down with Mubarak' was 2002 and this was unprecedented, you couldn't chant against Mubarak in the 1990s, it was all about Palestine at the end of the day."

The West will never stay silent; they will always try to intervene. But the question for the revolutionaries is: are you going to let them intervene? Are you going to organize? It's been the case all through the history of the racket's local dictators – from the Shah of Iran to Suharto in Indonesia. No matter if you are a client of the Americans, the most powerful country in human history, if you get the revolution, the Americans can do nothing – the people create a new imagination. Nawal El Saadawi, the most famous feminist writer in the Middle East, was heavily involved with the uprising in Egypt. For her it was the culmination of a life dedicated to overthrowing dictatorship in her homeland. I went to see her in her one-bedroom apartment on the 13th



## THE RACKET

floor of a tower block in the Shoubra neighborhood of Cairo, right on the banks of the Nile. “All the Gulf countries are colonized by the US. Wherever you have oil, you have the US,” said El Saadawi. “We got rid of the head only, but the body of the regime is still there, militarily, economically, media, education, everything.” So has she lost hope for this great uprising, then? “Oh, no, no,” she said, smiling. “I am very optimistic, I never lose my hope. Hope is power, hope makes me smile, hope makes me live. I am a writer, a novelist, I need hope, I cannot live with a bleak attitude. So long as we have young people here and we go to Tahrir Square I will have hope. We live in a jungle; we don’t live in a healthy society. It’s about power, when the grandfather has money, prestige and power, he rapes the granddaughter, it’s a matter of power. When we finish with this mentality – that it’s not power that dominates, it’s justice, freedom, love, equality – we have revolution, like in Tahrir Square, and we eradicate power.”

In one of Egypt’s neighbors in the Sahel they were close to ending their enslavement to the mentality of domination and power.

# SEVENTEEN

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# SUCCESSFUL DEFIANCE

## TUNIS, TUNISIA

I meet Mustafa and Kamal on Avenue Habib Bourguiba, where they protested in January 2011 to get rid of the dictator who had ruled their country with an iron fist for 23 years. Tunisia has changed a lot in the year since then. We ate at the Opium bar-restaurant, one of the many lining the French-style boulevard named after the dictator before Zine al-Abidine Ben Ali. “We couldn’t have done this before, no way,” said Mustafa, a 25-year-old originally from Tabarka in the north of Tunisia. “I mean, the only thing I could have told you is how great Ben Ali is, what a good man he is.” “If you wanted to talk politics in a bar and the police heard you, they will put you in prison,” Kamal told me nonchalantly. “Now I can say what I want to you.”

It was strange coming to Tunis and listening to the scale of repression and police abuse during the Ben Ali era. I had just never heard about it. Before this US/French-backed despot was overthrown, no one in the West seemed to care that we were propping up a police state in one of the UK’s most popular tourist destinations. The US

has provided \$349 million in military aid since 1987 when Ben Ali came to power in a coup. The tyrant was trained at the former US Army intelligence school at Fort Holabird in Maryland, like so many of the world's monsters. But the next stage of western connivance in the subjugation of the Tunisian people was the widespread media and political fear over the democratically elected Al-Nahda Party, which was Islamist. The course from actively arming a kleptocratic dictator to pushing for the Tunisians to support "western values" is of course familiar. Franz Fanon wrote in *The Wretched of the Earth*: "As soon as the native begins to pull on his moorings, and to cause anxiety to the settler, he is handed over to well-meaning souls who ... point out to him the specificity and wealth of Western values."<sup>1</sup> Any right-thinking Tunisian would, of course, see that the most consistent western value in their country is to *support dictators*. Initially, when people were getting shot by snipers on the streets of Tunis, Hillary Clinton, then Secretary of State, said the US "didn't want to take sides" and was worried about the effect of "unrest and instability" on the US relationship with Tunisia. In the end, over 200 perished. After the revolution won out, Clinton and France's President Nicolas Sarkozy moved on to praising "progress" in the country while also expressing apparent concern that Al-Nahda might impose Iranian-style dictatorship on the Tunisian people. (They didn't care when it was Pinochet-style dictatorship.)

Events followed the typical US imperial modus operandi during a popular uprising against one of its dictator satraps. It goes like this: public ambivalence about the protests alongside private support for the tyrant when it is unclear if the uprising will succeed. Then, when it looks as though the tyrant will not be able to hold on, a switch to public support for the uprising alongside private support for the same

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<sup>1</sup> [www.openanthropology.org/fanonviolence.htm](http://www.openanthropology.org/fanonviolence.htm)

regime shorn of its now-discredited figurehead. Such a methodology worked in Egypt: the long-suffering Egyptians now have Mubarakism without Mubarak. Tunisia is different. As Fanon put it: those who were last are now first, while those who were first are now last (or in exile in Saudi Arabia in the case of Ben Ali). The fear of Al-Nahda was misplaced and based on western desire to remain in firm control. There are plenty of clear differences between Tunisia and Iran in 1979 when the revolution overthrew another western-backed torturing tyrant, the Shah. First, Al-Nahda had assembled a coalition including secular socialists and social democrats to form the government. The president, Moncef Marzouki, is a secular human rights activist who spent decades in the wilderness fighting the US-backed atrocities being committed against dissidents in Tunisia.

Second, Tunisian civil society is engaged with the process and will only grow. One of the retrograde patterns you see in a Middle East speckled with US-backed dictatorships is that Islamism is often the only avenue for expressing dislike of the current state of affairs. The space for secular left movements has been crushed since the pan-Arabism of Nasser in Egypt worried the US enough to extinguish the left across the region (helped along by an Israel fearful of the efficacy of the secular nationalism of Fatah in the Occupied Territories). Now that Ben Ali has gone, the lid has been taken off the boiling pot. There was space for young people – in fact, everyone – to breathe here, there were opportunities to engage freely with politics and to think outside of the box. And now outside that box the vista is broader than Islamism. It will take time – perhaps a couple of generations – but the secular left can now grow and will undoubtedly become more significant. Many of the revolutions of the Arab Spring have been led by the tech-savvy young secular left – particularly in Tunisia and Egypt with their large labor movements. Contrariwise, the Islamists – who in many ways had

a symbiotic relationship with the brutal US-backed dictatorships they were at war with – will slowly become more irrelevant as these police states fade away. They will have less to feed on, and their policies will now stand the considerable test of governance.

Third, the military acted nobly in Tunisia, unlike in Egypt. Ben Ali fled after the military refused to murder their own people, making them wildly popular in the country. There is also little fear that they will launch a coup against the democracy the Jasmine Revolution created. “They are with the people” is a refrain heard often in Tunis. It is understandable: without them it is possible Ben Ali would still be in place and a river of blood would be flowing down Habib Bourguiba Avenue. In the Opium bar, Mustafa told me he voted for the CPR, a secular left-wing party headed by Mr Marzouki, because he thinks their program is good for the economy and women. But, he said, he doesn’t fear Al-Nahda. “I like them,” he added. Kamal, on the other hand, voted for Al-Nahda because he thinks they are “good people ... They are not extreme. The Salafis are crazy, but they are not very important here.”

Clearly, what scared the West more than any Islamist is a secular revolutionary left opposed to the neoliberal order we set up over the past 40 years. That would really hurt the bottom line. Islamists themselves have often been quite welcoming to the Bretton Woods institutions and the neoliberal economic order. With the usual suspects now trying to impose those dictates on Tunisia, it was near impossible for the ruling parties to try something else (even if they wanted to). So far Tunisia has followed US and Bretton Woods dictates to the letter, privatizing many of its state-owned assets (at the same time plumping up Ben Ali’s wallet) and eviscerating public institutions and subsidies for fuel and food. Many actually compare Al-Nahda to the Justice and Development Party (AKP) in Turkey, and it is no secret that the AKP has been a dream for business and international capital. In their time in power,

the AKP privatized a raft of public assets, including Tekel, the state-owned tobacco and alcohol company, which it agreed to sell off as part of the structural adjustments attached to a \$16 billion loan agreement with the IMF. Before Erdogan started acting like the new sultan, the business press was in raptures about the AKP. This was why I worried for Tunisia – not because of Islamists, but because of neoliberals. As Fanon put it: “The apotheosis of independence is transformed into the curse of independence, and the colonial power through the immense resources of coercion condemns the young nation to regression.” Or, in fewer words, take an independent course and starve.

With the period of dictatorship in Tunisia over, the economy is now the big issue, with 45 percent unemployment. It’s what concerns Mustafa and Kemal, both students. “I want the government to help people with jobs,” Mustafa said. “Maybe open some more universities.” Bretton Woods dictates have proved a disaster around the world as a development model. Al-Nahda should look elsewhere, for its own survival. Tunis itself is unrepresentative of the country at large – the further you get from the capital and the coastal tourist regions, the worse the poverty. The government will have to deliver relatively soon – or face more unrest. The spark for the revolution was Mohamed Bouazizi (who now has a street named after him), who set himself on fire in Sidi Bouzid, a poor town 200km from Tunis. This is how it started, and it could erupt again if nothing improves. Expectations are running high. As Mustafa told me: “Before the only thing I could do was eating, drinking, smoking, and sleep. Now there’s more.” The fear has now also drained from the people. “Something in our hearts snapped,” Kamal added as he sipped a beer. “People didn’t care any more. People were telling the military to shoot them.” He added quickly: “WikiLeaks helped people realize how corrupt Ben Ali and his family was.”

As a thank you for helping get rid of this tyrant, the WikiLeaks leaker Chelsea Manning is now facing three decades in prison. Meanwhile, the US politicians and policymakers who propped up Ben Ali for 23 years are talking heads on US cable TV, able to laud the Arab Spring without irony. At the same time, the great liberal President Barack Obama instructed his Department of Justice to launch a case against Julian Assange whose bravery (alongside Manning) helped unleash this unprecedented wave of people power across the Middle East. They are “high-tech terrorists”. The upside-down world.

## THE GLOW OF REVOLUTION

In the aftermath of the overthrow of the US-backed dictator Ben Ali, there were immediate successes – committees were established for reform of the media, corruption and human rights. Freedom of speech blossomed: it was now possible to debate the many pressing political, economic, cultural and social issues. For the first time there was an election managed by an independent committee composed of civil society figures, involving people from all social groups; there was also important civil society work, with hundreds of new organizations founded working on human rights issues, and also new issues like citizenship education, media activism, internet mobilization of young people and tolerance.

I went to see Abdel Basset Ben Hassen, the head of the Arab Human Rights Foundation, in the east of Tunis. “I think the revolution was also about questioning what international relations we need for our country,” he told me. “This new order should be based on more equality, more respect. I have been working in human rights since 1990. I think that during the dictatorship era the European and western countries had not been very strong against Ben Ali’s regime. I think that the

Tunisian people have been dignified by the revolution. Human rights were reintroduced in our history – before the revolution our image was really very low. I think that we are giving western countries and the entire world another image of how to be Arab, how to be Muslim, and to fight for democracy and freedoms.” The slogans on the streets were now about civil and political rights, and economic and social rights: the right to work, the right to health, the right to education. It was also about equality between social groups and between the interior of Tunisia and the capital, between the cities and rural areas. The revolution put these issues on the table, but they weren’t just Tunisian issues, these were global issues. “Working on human rights for the last two years was a kind of resistance,” said Hassen. “Human rights work was a way to resist oppression and we trained thousands of Arabs on how to document human rights violations, how to write a report, how to organize a campaign. This was one achievement – how to resist.”

What happened in the Arab countries was not just decades of dictatorship; it was centuries of a vertical approach to power. The Tunisian revolution opened an era of revolutions and reform and it will be long. All the social actors tried to redefine their roles after the disappearance of the old regimes. “We were waiting for an era to see that the Arab will claim their freedom, to end these ugly and horrible regimes,” said Hassen. “We were waiting to give all this potential locked up in these countries, but at the same time we are conscious that it will be difficult. You know when you open the door to all these changes you will have positive tools to use, but you have all the problems that were waiting.” Maybe what has helped Tunisia more than other Arab countries caught up in tumult was that the civil society in Tunisia was still strong. There was the powerful UGTT union federation, the Tunisian League for Human Rights, the judges’ union, the lawyers’ union, and the journalists’ union. Young people when they graduated



and went to work joined a union because it was the only place where you could criticize the government and not get arrested. Tunisia is actually one of oldest countries in the world: for nearly 3,000 years there has been a state in Tunis, Carthage. It was the first Arab state with an ambassador in the US, and it has a history of reformism. In 1846, slavery was forbidden in Tunisia, 17 years before the US, and two years before France. It also had the first constitution in the Arab world, while in 1956 it proclaimed the first law for the family, liberating women and abolishing polygamy. It was also the first Arab country to have a strong workers' movement, formally founded in 1927. Civic engagement and education are deeply rooted in the country and the populace is also educated. In the 1970s the government dedicated nearly 40 percent of the state budget to education: and when you introduce education you introduce criticism.

## THE NEW GENERATION

These civil organizations and even the elites suffered a lot under Ben Ali's dictatorial regime. "There was also a big difference between the young generation and Ben Ali's generation," said Mr Hassen. "Those between 18 and 30 years old, and not only in Tunisia, said, 'We cannot accept these kind of old out-of-date regimes. The regimes in the Arab countries were so out of date, and the most stupid and totally closed regime was in Tunisia, and people at some time they cannot accept any more this kind of thing.'" Tunisians felt that they were not only oppressed by the police state but that their dignity was being attacked by a regime, by a family, that was ruining the country. The Ben Ali family were occupying and stealing everything. In many ways, the first uprising was against this attack on dignity. "You can accept the oppression but at some stage you cannot accept that your dignity is

under attack,” said Hassen. It started in Sidi Bouzid because the trade union was powerful and the elites were against the regime. “It was possible because all the social categories participated, and it was possible because the slogans of the revolution, it was about dignity, freedom – it was not religion, about tribal issues, about family, about regions, and this made it difficult for Ben Ali to stop this, because it was about universal things.” The internal mechanisms of the regime were very weak at the end; despite the regime’s strong appearance, it was a lie. The situation was explosive and when the first demonstration happened in Sidi Bouzid, the police did not try to stop it. It lasted for two days, and then other small cities followed. There was no political reaction, but confrontations were developing all around the country, becoming more and more violent. Then the police supported the protesters. Ben Ali’s party did not hold counter-demonstrations, and the dictator was completely isolated.

I spoke to Ahmed Bouazzi whose party was in the resistance against the dictatorship, and worked to weaken the government of Ben Ali. “We were in a long struggle against Ben Ali,” he said. “The West is scared of course because Nahda is working for a more independent national policy, more independence for Tunisia; fortunately, they are defending the interests of Tunisia better than under the Ben Ali era, and I am optimistic. I have a big confidence in the Tunisian people; in our history, the people showed that it is a pioneer. It is progressive. The West is scared of Islamism. I think they are still trying in Tunisia to get rid of Nahda and I think it’s a big mistake, because Tunisians are pioneers, liberals, they are also very patriotic, they don’t accept that someone else makes their politics here, so Nahda will gain from this. Unless there is a coup, and a coup would be a disaster for the country, you have Algeria where 200,000 people died in a civil war.” He said further that the revolution had a perceptible effect on the soul of its

## THE RACKET

citizens. “It’s very strange to be free. I was thinking about it today when I went to the Ministry of Interior, which is where the torture happened. People changed very fast, they were speaking very freely, and there was no auto-censorship. It is very different now, if I meet plain clothes policemen I am not afraid because they will not arrest me. Before that I was afraid because they could arrest me and I might spend I don’t know how long in prison until I got freed. Now it’s different, the relationship between citizens and policemen is completely different, there is none of the fear of policemen, it happened very quickly.”

The wall of fear had fallen, you could perceive it, and you could feel it in the streets. Tunisians were not silent any more; they didn’t respect authority like they used to do. There were sit-ins, protests. The Tunisian mind had been freed.

## **EIGHTEEN**

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# **CULTURE AS A WEAPON OF RESISTANCE**

### **WHAT'S ART GOT TO DO WITH IT?**

“A people’s art is the genesis of their freedom.”

*Claudia Jones, pioneering political activist, 1915–64*

When Soraya Morayef, an activist and budding art curator, walked into Townhouse gallery in Cairo in the aftermath of the ousting of Hosni Mubarak, she expected the usual brush-off. Her friends had previously pitched exhibitions of their passion: graffiti and stencil-based work. Each time they had been turned away. But not now. “When I approached them I really didn’t think they would do it,” she told me. “I had no credentials, I had no background. But now there is this increasing new interest in graffiti and street art, that’s why they eventually took me.” Morayef was the beneficiary of a sea-change in the Egyptian art world since the country’s revolution sparked an explosion of paint and posters on walls in cities around the country. “The revolution has massively

impacted the art scene in Egypt, it's now a lot more diverse and there's a lot of work inspired or based on the revolution," said Morayef.

The same pattern has been seen across the Arab world as people shook their chains in the Arab Spring. Western intelligence officers no longer have to gauge the temperature of the "Arab street" through clandestine interviews; they just have to look at the walls around the cities. In Arabic, it is called "*el-fann midan*" – literally translated, "art in the square". The mixed experiences of euphoria, mourning and loss have been creatively rendered all over the cities of the Levant.

"Art has played a major role in the Egyptian revolution, for the most part because street art and graffiti as in a western form simply didn't exist, now it's everywhere," said Omar Ozalp, co-owner of the Articulate Baboon gallery on the outskirts of Cairo. "More importantly, each one carries a message, be it political or social, which for once has the Egyptian population thinking." The other co-owner of the gallery, Adam Maroud, added: "Corner after corner after corner was suddenly emblazoned with a battle cry in rushed lettering or a perfect stencil of pop culture political satire and it was beautiful and stirring to watch it spread. Nothing to me personifies creative freedom more than a bold graffiti piece on a very public wall."

And it's not just the Middle East. Art has flourished around the world in this revolutionary torrent – from Haiti to Chile to China – as people fought back against totalitarian governments and tried to make sense of broken societies using brushes as well as bricks. For many young people, street art became the "perfect crime" when living in a closed dictatorship with no free press. If you do not get caught in the act, most of the time there is no way for the authorities to track you down.

"I think the creative output during this unfinished revolution is an integral part in its continuation and the direction it's bound to take," said Ganzeer, the most prominent street artist in Egypt, who was

arrested for making posters at the height of the protests. His colorful paintings of martyrs killed by the security forces dot Cairo, as do his montages juxtaposing brutality inflicted on protesters with information about US aid to the military regime. Ganzeer added that the move out of galleries, as artists take their work to the people, also represents a “democratization” of the creative arts. “The streets are for everybody. The gallery is for an art-seeking niche. It’s very wrong for the streets to be so open to the brainwashing effects of capitalist-driven advertisers and so closed off to honest art. Galleries need to exist, but it shouldn’t be the only way to be able to experience art.”

In crisis-wracked Europe, the *indignados* in Spain, as well as young people in Germany, Greece and France, also used their city walls as canvases to get their message across. Evol is a German artist who had a gallery show in London, but the 39-year-old’s main work is stenciling windows on concrete slabs slung out on the street, turning them into drab housing estates. “Life is a reflection of the circumstances I live in,” he said. “Whatever happens to me I will try to transport into art.” Ganzeer feels something similar: “I feel the core purpose of creative arts lies in its social relevance.”

Street art has captured the imagination of the younger generation of artists in the West over the past decade, symbolized by British artist Banksy. But while the anonymous Bristolian has garnered much of the attention, there is now a dedicated phalanx of scribblers working alongside him – and their ranks have ballooned and “globalized”. For many of the new generation, the period where the pursuit of money appeared to rule all forms of creativity – viz. the canonization of Jeff Koons and Damien Hirst – is over. The postmodern ironies of the Young British Artists movement have been destroyed by the immediacy of the human crisis happening around the world. Young artists now feel the need to reflect on the chaos of global events through their art. They

are not seeking to engage with the world retrospectively but as part of the ongoing struggles, hoping to bring about real, tangible change. In this sense, it is not just the venue that has changed – from the gallery to the street – but the content, too.

“Before the revolution we were falling into clichés and trying to express things between brackets,” said Khaled Hafez, a prominent Egyptian artist in the traditional gallery setting. “But since 9/11, more and more political issues are being expressed in art installation practices. The Arab Spring has really accelerated that.” Resistance artists are the modern-day heirs to a tradition that goes back hundreds of years and boasts some of the all-time greats, including Picasso and Goya. But even with such a rich and proud history, the prospects today are more exciting than ever. Art has been democratized by the capitulation of the tyranny that the highbrow crowd used to impose on aesthetic pursuits, and a revolution in technology that can put a camera, spray can or paintbrush in the hand of any kid with a thirst for creativity.

## YOU CAN'T BUY THIS

The recent upsurge in revolutionary street art has rudely challenged many of the sacred cows in traditional art circles, paralleling the population's political awakening. Since the seminal 1999 anti-World Trade Organization protests in Seattle, there has been a resurgence of forms of art engaged in social and political protest. Ideas of what constitutes art, where art is shown and who does art were all shaken violently. But the fight against the gallery-based model has been largely successful, and the traditional art world is now playing catch-up. More traditional, gallery-based art elites in the West have pushed back – and this is no different in Egypt. “We should remember that the Middle East is still conservative,” said Hafez. “Street art is not gallery art, but we are

in a revolutionary situation, and it helped mobilize people. There was fabulous graffiti art, and personally, I think change is impending.” He added: “I have learnt a lot from the younger generation like Ganzeer.” Ganzeer agreed, and said the traditional sectors of the art world in Egypt have shot themselves in the foot by not showing more enthusiasm for the new generation. “I think the majority of the traditional art elite have proven the inability of their art to speak or relate to society via their inability to artistically engage in the revolution,” he said. “Many may have engaged as citizens, and protested just like everybody else, but few have been able to engage artistically.”

Of course, art cannot initiate social transformation by itself, but it is increasingly vital in expanding the imaginations of those working toward it. Knowledge of how the world operates that comes solely from newspaper articles and academic books often affects our most cynical and fatalistic impulses; these impulses are pervasive among young people, and they get more frequent, not less, as the bad news comes faster. Looking at an image that connects events in ways you haven’t yet conceived, or an installation that reconstructs in visceral form something you’ve read about, can propel this cynicism felt by the younger generation toward action. And it has. The possibilities for artistic collaboration and the ability to say something about the world without needing to steep it in the depressing banalities of everyday political discourse are providing a sanctuary for the younger generations, fed up with what is often called “mainstream” politics.

Some people say that all art is political. This is like saying that all politicians are political: it’s technically true, but in reality the majority tailor their beliefs to the exigencies of their respective political systems and become model commissars. Power is the motivator, and the politics falls into line after. The same goes for art’s own commissars whose work is conceived and sold as a commodified product, complete



with conscious branding and the related newspaper fanfare about “controversy” or “celebrity buyers”. There is nothing “political” about it; in fact, the branding is the antithesis of political because rather than questioning the contemporary situation, it accepts all its presuppositions – no matter how violent or unjust – and seeks to ride on the froth of money and fame that tops this wave. True political art, as distinguished from its banal and transient cousin, is trying to change the world as it is rather than observe it. It seeks to delve into the nightmares of the contemporary consciousness, investigate the deep cavities and expose the most diligently repressed secrets and terrors. It reformulates images and signs and gives us all a means through which to reinterpret the world. Joining the dots becomes revolutionary, which surely says less about the art than the prevailing ideology, which allows us to live happily without making the connections between the violence we unleash and the corpses all over the Middle East, East Asia, Africa and Latin America that are our testimony.

## SHAKING OFF THE STRAITJACKET

I interviewed a number of famous musicians and actors who have strident anti-war, anti-racket politics. The lead singer of Massive Attack, Robert Del Naja, has always been extremely political. During the run-up to the Iraq war – with Thom Yorke of Radiohead – he took out a full-page advert in *NME* denouncing military action. He told me: “How we get our culture, how we get our politics spelt out to us, how the news is read to us, how our choices are laid out, does come through the media. These are the things that people should be more concerned with.” Why is this artificial barrier erected between politics and art, then? “It suits a lot of people’s business and political interests to try to separate the two when actually they are actually joined at the hip,” he

said astutely. “I think sometimes when you’re trying to present music for music’s sake, sometimes you don’t want it to be politically charged because you want it to be about a simple music experience, an escape. Other times it is a very integral part of it, definitely.”

Gael García Bernal is a Mexican actor who has never shied away from giving political opinions, and speaks with real knowledge about the politics of Latin America and further afield too. The man who famously played Che Guevara in *The Motorcycle Diaries* film is unabashedly “of the left”, and has been an activist as far back as the 1994 Zapatista uprising in Chiapas, Mexico, on the first day of the NAFTA. “I’ve been told, ‘You’re an actor, you cannot talk about politics, you know nothing about politics,’” he told me. “There still exists that mythology that no one who is not an ‘expert’ in politics can have an opinion on politics. It’s ridiculous because we’re such political animals.” He added: “As an actor it’s about exploring these uncertain areas rather than having a preconceived idea or answer. It’s more about provocation and asking the terrible questions. My position therefore is sometimes a bit greyish because I don’t buy into the pamphlet. What is motivating is when the audiences ask new questions, get new perceptions, not when you give them opinions digested, the complete answer, that has another shape.” Bernal is optimistic about the future of Latin America, especially the “pink tide” of democratic left-wing governments that has swept the region over the past decade, which shows no sign of being turned back (yet). “Like [Slavoj] Žižek says, Bush deserves a Nobel Peace Prize for having eradicated the hegemony of the United States, he singlehandedly completely destroyed it,” Bernal said. “Now it’s a whole different world. Argentina, for example, most of its business is with China, and Brazil as well. There is a lot of hope in that sense, it’s not the world we grew up in, it’s a whole different thing. I think that the left in Latin America still have lots of debts from the 1960s, ’70s, ’80s, things they have to

complete, to deliver. Argentina is the only country that has looked back on the people that were part of the military coup and junta and put them in prison, it's the only country that has done that, that is reason enough to support [President] Cristina Kirchner." Bernal is unusual in the world of entertainment – he has a political opinion and can back it up at length and with real knowledge. It's a rare quality in a world where some sort of bland, non-specific "social activism" is now a must for most celebrities, but questioning the PR lines fed to them by their handlers is almost non-existent. "I would love athletes, sports figures, to be more political," he said. "Remember Socrates the Brazilian player was very critical of the junta there. Or the guys in '68 here in Mexico City with black power. It adds so much depth to them, it's incredible when they do it, but right now you don't see them involved in anything."

Damon Albarn, the lead singer of Blur and Gorillaz, has been at the forefront of the anti-war and debt cancellation movements. When I visited him at his house in south London, he told me: "The war in Iraq was the result of our inability to express what I think was a consensus that this was a terrifying idea and a very badly thought-out one." He is particularly scathing about his fellow musicians who showed a shameful cowardice in not joining him and Massive Attack's Robert Del Naja in speaking out. "It was very difficult to find anyone. And I don't want to name names because they are people who I respect but for some reason, they were very reticent to stand with us ... A lot of people who you would now associate with being anti-war at that particular point didn't seem to be prepared to do it."

Tom Morello, the guitarist of the band Rage Against the Machine, once remarked: "A good song should make you wanna tap your feet and get with your girl. A great song should destroy cop cars and set fire to the suburbs. I'm only interested in writing great songs." When I met Radiohead's Thom Yorke I asked him his opinion on this seemingly

fraught relationship between the political and the creative. “I wonder if you did a Venn diagram of how they coincided, or if you did a straw poll of their sympathies in terms of art what you’d get back,” he said. “I guess it depends on how broad you see the definitions of politics, and how broad you see the definition of art or music. If you see art and music as something that extends beyond this little bit of plastic that goes in your CD machine, and if you see politics as something that’s happening not just in the Houses of Parliament, then I think you can’t use that argument at all – it’s utter bollocks.” But “you’ll never change them,” Yorke said when I asked about the temptation to lobby politicians. “They’re going to get more from you than you get from them, generally speaking.” Despite his evident passion, Yorke seemed reluctant to assume any role as a voice of his generation. “I’d dearly love to not be interested in it at all,” he said. “It is ultimately a very sterile, barren, place to spend your time thinking of things. Even back in college, you get involved in it initially and then you see all the petty wranglings going on, and you think, This is so pathetic, and you want to get the fuck out really.” When I asked Yorke about the awareness of the American populace of their country’s nefarious actions in the world, he exclaimed: “They have no idea! But I think the Iraq thing has been interesting – the mainstream press took a long time to come around, but when they did come round it was a big thing. When they did start, they were exposing it for what it was.”

## ART AND POLITICS

The interface of politics and art has always been a tense one, with some of the more conservative elements in the art world accusing political art of being “agit-prop”. They argue that when you engage directly with politics, you deplete your sophistication. But things are changing.

“There is a very reactionary strand in the art world that says that you shouldn’t make work that’s overtly political,” said Peter Kennard, a senior lecturer in photography at the Royal College of Art in London, one of Britain’s foremost political artists, and my father. “You can imply, but that’s also to do with the art world being about selling work.” He added: “Our understanding of art has become over-aestheticized and I think the only thing that can change that, which is changing it, is the pressure of crisis in the world.” If you look at Kennard’s work, as well as being eerily beautiful, it is bleak and brutal. The poor and destitute scream out from the financial pages, arms dealers play roulette with million-dollar weapons, and medals are awarded to US and UK soldiers for war crimes. And yet, despite the pathos of his work, he retains a Gramscian “pessimism of the intellect, optimism of the will” type philosophy: the belief that critical art has the power to transform the world and attitudes. “People do think critically about the world through art,” he said. “Because they can see the images they get in the news transformed, separate images connected up to give new meaning to them, to show how things connect in the world. So with photomontage you’ve got actual images of things that happened – someone took that image – and by putting it with other images you can then create the connections to show how the world is actually put together. In the media, we see everything disconnected – the adverts, the news stories – everything is disconnected and all over the place. When you put them together you can then show where the link is and that is very important.”

In places like Palestine the use of artistic expression to make sense of the same disconnected world is very common. The most moving and powerful testament to the plight of the occupied peoples in the West Bank and Gaza has come in exhibitions like “100 Shaheed – 100 Lives” which opened in February 2001 and was a reaction to the escalation of Israeli violence in October 2000. The exhibition aimed to celebrate

the ordinary lives of the first 100 victims of this violence by featuring everyday objects, gathered by a group of field researchers, that were held dear by each of the dead. This example in Palestine is a symptom of the gradual politicization of creativity, in literature as well as art, all over the world. “I think people are not so ironical and cynical now,” Kennard said. “People are trying to work out how they relate as individuals to the world because the world is impinging on our lives so much – we can’t deny it any more that there is a crisis going on in the world, so it is impinging on the work they do. It doesn’t mean they do very direct images about it, but certainly that anxiety about how to live and what to do in the world is coming through in the work.”

Obviously, being politically strident always carries risks, even in ostensibly free societies. Artists have always been regarded with suspicion by those who wield economic or political power – particularly when they are direct and trenchant in their work. Free creation has always been the direct antithesis of the cold logic of power.

A few years ago Kennard was commissioned by Damon Albarn to make a montage as part of mobile phone company Orange’s “Light Up London” campaign. His photomontage of the Virgin Mary with the logo of the Campaign for Nuclear Disarmament in place of a halo and the earth for a head never went up because it was censored by Orange who deemed it offensive to “grandmothers and small children”. “All big shows now in galleries have to be sponsored because there isn’t enough public money going in so they have to sponsor them,” said Kennard. “The sponsor wants to get an image across that tallies in with their company so they like edgy Damien Hirst-type things which aren’t specific, but if you’re politically specific in what you do it’s very difficult to get sponsorship and then it’s very difficult to get a big public exhibition, so sponsorship does have a knock-on effect. It is much more quiet and insidious than censorship but it means that certain things

don't get seen. So there is a façade that they are encouraging dissent but when it becomes too serious they cut it off." Does he think that the need for sponsorship blunts dissent? "Well, people work outside the system – they make their own spaces, they work collectively, they work in the street, and they work in smaller spaces," he said. "So there are lots of different ways to get work out. And there are lots of people working collaboratively." Is this censorship a new phenomenon? "No, it's always been like that. This century, very political work is being kept under covers – a lot of really good work is only allowed to come when the person is dead and the issues they are dealing with are over. It's not new but it's more powerful now in the sense that private money is so vital to the art world now that it's really difficult to work without it." As Kennard wrote in his comment piece for the *Guardian*: "censorship is something one doesn't speak of in the free-market – it brings back memories of Lady Chatterley and Lord Chamberlain."

The impingement of politics and violence on the everyday lives of artists may be new in post-9/11 England, but in Northern Ireland it has been this way for decades. As the Northern Irish artist Liam Kelly wrote: "In the North of Ireland over the intensive period of political troubles (1968–1998 and the first IRA ceasefire) landscape was not something to be celebrated but interrogated and petitioned." The themes of land and territory come up time and time again as you look at resistance art in this troubled spot. Take Willie Doherty whose 1987 installation piece *In the Walls* arranges text to settle over sections of a horizontal panoramic view of the Bogside area of Derry in daylight. This makes it so that, in the words of Kelly, "we/the artist or the colonized/the colonizer take in the view and take up a position".

The collapse of the Argentine economy in 2001 also saw an explosion of artistic creativity. As the middle classes were depleted and 50 percent of the population plunged below the poverty line, many citizens began

to use the objects and spaces around them to create art that spoke of their grievances and desire for change. A collective of artists, based in the coastal city of Mar del Plata, began taking over buildings that had become derelict as a result of the economic crash, and creating installations in them.

Similar things are happening in the Chiapas region of Mexico where the Zapatistas are fighting for land rights (as we have seen). Gustavo CP is a famous muralist from the Zapatista-controlled territories of southeast Mexico, and he is often in Europe showing the work he and others are putting together as part of one of the most exciting popular movements in the world. He said: “As in all acts in our lives, the ways of relating to each other, and the ways we make our dreams and put them together, are part of creating our cultural values. And to put them up in the walls, like with these murals, is not an easy job. It is not a one-person job either, or a job for just a specific group of people. It is a job for a whole society that by nature impacts on certain people, who, in return want to contribute to community. In this way a dynamic and enriching relationship of collective creation takes place, which can lead to many other dreams and possibilities”.<sup>1</sup>

In places like Afghanistan under the Taliban “photography was to all intents and purposes banned”, according to Thomas Dworzak who visited Afghanistan as a photojournalist in 2001. All depictions of living creatures, including animals, were erased from the public eye, and photographic portraiture was illegal. Studio photographers in Kandahar told Dworzak that members of the Taliban would come into the studio when passport photography was allowed again and would pose with make-up and guns in front of garish synthetic backdrops such as gardens full of flowers. These images have now become artworks

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<sup>1</sup> “Painting with the Zapatista in Scotland”, *Indymedia*, February 2, 2005, [www.indymedia.org.uk/en/regions/world/2005/02/304693.html](http://www.indymedia.org.uk/en/regions/world/2005/02/304693.html)



in their own right, saying more about the narcissism and immorality of Taliban rule than a million words. The indestructible human instinct for art and images is evinced clearly by this vignette, and you hear stories about all kinds of resistance art coming from those who are living under stultifying dictatorships all over the world.

Since the earthquake struck in January 2010, leaving a whole society traumatized, one artist has been out decorating Port-au-Prince with beautiful murals and graffiti pieces as a way of expressing his own hopes and fears for the country. “I was never a big fan of politics,” Jerry Rosembert told me, but added that the extent of the trauma in Haiti means he has had to engage. “I am obliged to commentate on my country because things are bad, and for me, it is the best way of giving my ideas worth and value.” His art is just another way of communicating a message – a cry to be heard in a society rendered silent by a natural disaster. “Certain people do this their way sometimes in the newspapers or on the TV, but the graffiti, this represents me more, and this is a type of commentary I enjoy a lot.”

The Art Spring has stretched to South America, too, with the Chilean student protests inspiring a surge in graffiti and cartoons on the streets of Santiago and other cities. Brazilian political cartoonist Carlos Latuff went to Chile during the protests and said he saw art students and passersby producing cartoons and paintings on the walls in support of the uprising to an extent he’d never experienced in Latin America. The cross-border pollination of art has been huge. Latuff is in high demand in Egypt and across other parts of the Middle East. Even before the January 25 protest that began the Egyptian revolution, Latuff was receiving requests for illustrations from protesters. “This was pretty amazing,” he said. “I usually produce stuff and it will be used, but this was different – they were making specific requests. They felt cartoons and art could help their campaign.”

At the beginning of the civil war in Syria, the most famous political cartoonist in the country, Ali Farzat, was attacked at night in his car in Damascus. “We will break your hands so that you’ll stop drawing,” the thugs told him, before doing exactly that. He was dumped by the roadside. “This is just a warning,” they told him. In China, Ai Weiwei, the iconic artist whose work has bravely taken on themes of repression in his home country, was arrested by the authorities and held incommunicado for months on spurious charges, which still stand. In Honduras, the first two people arrested after the 2009 coup were President Manuel Zelaya and cartoonist Allan McDonald, who had published cartoons in support of the deposed president. In 2003, the US government asked for a tapestry version of Picasso’s anti-war masterpiece *Guernica*, which is on permanent display at the UN, to be covered with a blue curtain when Colin Powell made his notorious error-filled speech about Iraqi weapons of mass destruction and the need for invasion. It seems counter-intuitive. Why would the most powerful country in the world care about a piece of art decorating a room at the UN? And why would the world’s newest superpower care about one man making piles of seeds in a studio in Beijing? “Artists, especially cartoonists, can make it easy for everyone to understand a difficult political statement,” said Carlos Latuff, whose cartoons have become an accompaniment to uprisings all over the world. “We have the ability to make fun of dictators and, of course, dictators are not fond of humor.”

## ART ON THE STREETS

There is some debate as to what the term “street art” actually means. It is an appellation that describes a genre of art rather than work that is done outside. But Swoon, one of the few women in the field, thinks this is wrong. “For me, if I’m working outside, then fine, call it street art,

but if I'm working inside, then it's an installation," she said. "For me it doesn't seem useful." Many practitioners believe the label is another way of demeaning an art form that is encroaching on a nervous elite. "Sometimes it seems that people need a name for something, if they don't know it by a name they can't grasp it," said Evol. "I dislike the expression." As Proudhon reminded us a century ago, property is theft, and using private property as a canvas to express yourself is a way of reclaiming privatized wealth and rendering it public. In that critical moment, the canvas of some bank building or shop front becomes yours, or ours. Ours because graffiti is one of the most altruistic art forms – colorful and complex pieces are put up for our benefit while we stroll the streets, at considerable financial and sometimes legal costs to the artist. Take, for example, advertising, which is everywhere – all over buildings, walls, transport, schools. This stuff is there purely to manipulate and make money out of us, but when advertising sneaks its way into every nook and cranny of our public and private spaces, there isn't a law enforcement agency to be seen.

Artists like Banksy, meanwhile, haven't been able to resist the zombification of their art by the mainstream. This process was called "repressive tolerance" by Herbert Marcuse and "the society of the spectacle", by Situationist Guy Debord. It is a danger to all artists trying to subvert the racket while working within the racket. Work which started as a critique of war and social inequality can be brought into the mainstream and commodified and sold to the people of whom it was initially critical, emptied of its message. Naomi Klein mentions in her book *No Logo*, which was published in the weeks following Seattle, that Nike had begun employing young graffiti artists to graffiti Nike posters to give them more street-cred. With these corporate behemoths inhaling all creativity and co-opting any anti-establishment ideas, it's a struggle for the artists who don't want to end up making decoration

for Goldman Sach's lobby. When Diego Rivera, the famed Mexican muralist, painted a fresco at the behest of the Rockefellers for their center in Manhattan in the 1930s, he included a May Day workers' parade and an image of Lenin. Rockefeller was deeply angry and asked him to remove Lenin; when Rivera refused, he ordered the destruction of the fresco.

The active repression of totalitarianism and the slow-burn repression of corporate control should be challenged by artists with integrity enough to continue standing outside the mainstream. Art and creative expression, because they exist beyond the normal coordinates of control, have the power to scare those at the top. The art-industry intellectuals and academics who have proposed for so long that political art is merely crude agitprop or literary doggerel are being made to look stupid by a new generation of artists who don't see their role as making pretty pictures and designing clever concepts for boardrooms. They are using creativity as an integral part of a justice movement that is inchoate but growing in substance and definition. They have internalized Brecht's timeless dictum that "Art is not a mirror held up to reality, but a hammer to shape it".

The explosion of technology and social media has been a vital corollary to this movement. Facebook and Twitter have not just allowed activists to organize, but have also provided a key tool for disseminating pictures. They have accelerated this "democratization" of art by making it much easier to circumvent the gallery, which had previously been a prerequisite to building an audience. "Especially in the past year I have been using Twitter and Facebook to spread the artworks, which has played an important role in getting them out," said Carlos Latuff. "If I upload a single cartoon it takes 15 minutes to get sometimes 3,000 hits, depending on the issue. It's amazing how you put up a single cartoon and it spreads like a fire." Moving outside of the gallery also changes the

audience. In a revolutionary situation, the aim is often to reach as many people as possible. Street art is in some way inherently political, in a way gallery art isn't. The people who see it have no choice in the matter – unlike those who venture into a gallery on a Sunday afternoon. Now, the wall is the gallery, and the audience has multiplied exponentially. “I use the space for everyone who is living or passing by there, I'm naturally speaking to anyone passing by,” said Evol. “No one asked me to do it so I can't ask for a reaction in a certain way.”

Krzysztof Wodiczko is a Polish artist who teaches at Harvard University and is famous for his projections, including projecting a swastika on the South African embassy in London during the apartheid era. He has used his art to further the causes he believes in for the past 40 years. But, he said, he's never been this excited. “In '68 there was legitimate criticism that art was being too conservative in its choice of media, and therefore its capacity to reach those who really needed reaching. Artists were indulging in some posters, but what was needed was something to engage the mass media.” Now, he said, “the whole cultural geography of resistance benefits from mobile communication. Even though authorities will try to censor it, there will be ways around it with other inventions.”

## CULTURE OCCUPIED

At the height of the Occupy Wall Street protests in New York, I was on a night march across the Brooklyn Bridge when we all suddenly felt like dissident superheroes. As we looked up, the Verizon building that stands at the foot of the bridge began to be illuminated with projections – exactly like those calling on Batman when he was needed to take on evil in Gotham City. A huge “99percent” was flashed up along with slogans like “Another World is Possible” and “Occupy Earth – we are

winning”. Cheers went up among the protesters, but no one knew who was doing it. The big, impenetrable corporate office of Verizon – which was under pressure over its treatment of striking workers – was being hijacked and there was nothing the police or the company could do about it. Rumors flew about who the projectors were, but in the following days they were revealed as the Dawn of Man, a production company based in the city, which had been around for years but was only now doing directly political work. Like so many others, the uprisings of 2011 had pushed them into engaging for the first time. “Personally, I have been inspired,” said Max Nova, a young artist from Colorado and one-half of the Dawn of Man collective. “Not just to be political, but to do work that is directly focused on making a change, spreading awareness about important issues.” The Occupy movement has been synonymous with sign-making and art installations from the beginning. The first thing you noticed when arriving at Zuccotti Park was that everyone had their own signs, some scrawled on pizza boxes, some professionally printed photomontages. There was an evident need to creatively express dissatisfaction rather than just shout about it. Nova said the projections that night were made from a private residence. “We had cops looking into the apartment, but they couldn’t get in without a warrant,” he said. “It is interesting how art has become a fundamental factor,” he continued. “If you look at working groups in New York Occupy Wall Street, the arts and culture one is vastly larger than the other groups. A lot of artists find themselves drawn to this.”

Krzysztof Wodiczko actually draws a distinction between two different types of political art – the direct and indirect. “My experience in Poland under the previous regime was that because it had this image of an open system, or a system with a human face that transformed itself into more of democracy, it was in fact, very scared of dissent that may contradict this. So artists were allowed to speak, to deal with

## THE RACKET

politics, as long as they were doing this indirectly, in a metaphoric way. Once they move into more of a direct link, or people recognize them as political activists, at the same time as artists, then they will be in jail, or prevented from speaking or communicating.” Latuff is an example of this. He is banned from Israel because he has made cartoons critical of the government’s treatment of Palestinians. In Brazil, he has been arrested three times for producing his pieces. “I believe in what Che Guevara called internationalism, solidarity with people,” he said. “If I’ve got a skill, I think it’s necessary to put this skill at the service of the social movement. The artist cannot ignore art as a tool for change. Especially not now.”

The co-option of culture by the resistance, it seems, is the most potent example of how the fight against the racket is real, global and interlinked. From Occupy protesters to Palestinians resisting the oppression of the Israeli state, the racket is under joint attack from inside and outside its headquarters in the United States of America. The victims of this system – the 99 percent of humanity made into serfs – are seeing that they have more in common with people across national boundaries than they do with the racketeers at the top of their own society. Like these dissident artists, we must use all the available tools for change to smash the racket, crush its criminal syndicate and build a fair future. We all have a role to play. To paraphrase Arundhati Roy, now is the time to stop adoring our oppressors, who are the Living Dead, and learn to love ourselves. You know how it works: arm yourself and join the War of Independence to sever us from the racket once and for all.

# INDEX

- Abdelrahman, Sarrah, 335,  
335–6
- Abrantes, Alexandre, 16, 29, 39,  
40
- Achá Melgar, Hugo, 181, 185–6,  
188–90, 204, 205
- Acheson, Dean, 68, 144
- Afghanistan, 136, 147, 371–2
- Ahmadinejad, Mahmoud, 148–9
- Ai Weiwei, 371
- Albarn, Damon, 364
- Alexander, J.D., 302–3
- Allende, Salvador, 150
- Amos, Jimmy Boone, 306–7
- Anderson, Perry, 315–16,  
317–18
- Appalachian Voices, 254
- Argentina, 51–4, 155–6, 206,  
368–9
- Aristide, Jean-Bertrand, 15, 17, 18
- art: and politics, 365–71; social  
media dissemination, 373–4;  
street art, 358–9, 371–4
- Assange, Julian, 352
- Ataturk, Kemal, 128–29
- Bangladesh, mining protests,  
86–7
- Bank of America Merrill Lynch,  
246, 249, 250, 260–61, 291
- Banksy, 359
- Bauman, Zygmunt, 58–9, 147
- Belovai, István, 179
- Ben Ali, Zine al-Abidine, 347–9,  
350, 354–5
- Berg, Steve, 288, 289
- Bernal, Gael García, 363–5
- Bernanke, Ben, 263



THE RACKET

- Bethel, Ernest, 297
- Bigwood, Jeremy, 209–10
- Birns, Larry, 35, 78
- Blair, Tony, 110, 112
- Blumberg, Joseph, 28, 31, 34
- Bolivia: autonomy movement, 203–5; and China, 229; Cuban and Venezuelan influence, 198, 229–30; Drug War, 155, 220–22, 231–2; economic program, 215–19; FIDEM consultancy, 213–14; land reform, 184, 200; military coup (1971), 233–4; mining industry, 89–91, 216, 218–19, 220; NED (National Endowment for Democracy) projects, 222–4; Pando massacre, 189, 190–91, 199, 204–8; and Russia, 229; Santa Cruz Civic Committee (SCCC), 191–5, 196–7, 226; Santa Cruz (Rózsa) plot, 178–82, 185–91, 200–202, 228; Sucre unrest, 195–6, 214–15; UJC (Youth Union), 197–9, 203; and US, 224–33, 236–9, 314; US support for opposition, 181–2, 183, 184–5, 195–8; USAID activities, 193–5, 207–15, 215–16, 217–18, 236; Water Wars, 182–3
- Brady, Kevin, 73–4
- Brazil, 51, 78
- Broad, Molly Corbet, 267, 270
- Burtless, Gary, 280–81
- Bush, George H.W. (senior), 64, 133
- Bush, George W., 67, 75, 113, 139, 148, 152, 197, 320
- Buzzee, Pat, 274, 276–7
- Caldwell, Phyllis, 292
- Cambodia, 151
- Canada, US trade agreement, 63–4
- capitalism, 275–6
- Chamber of Commerce, 258–9
- Chávez, Hugo, 58, 314, 315, 318–21
- Checchi, Vincent, 212
- Chicago Boys, 17, 19–20
- Chile, 150, 198, 370
- China, 73–4, 78, 90, 91–2, 229
- Chomsky, Noam, 143
- CIA: in Bolivia, 185, 187, 221, 232, 235; in Guatemala, 312; in Honduras, 166; in Iran, 106; and Middle East, 117–18; in Venezuela, 187

## INDEX

- Clinton, Bill, 38–9, 144–6
- Clinton, Hillary, 339, 348
- coal mining, 251–5, 257–9
- Cold War, 103–4, 141–2, 312–13
- Colombia, 71–2, 72–8, 154, 169–70
- Concannon, Kevin, 286–7
- Coolidge, Nancy, 269–70
- Corrections Corporation of America, 305
- Costas, Rubén, 180–81, 191, 203–4, 226
- Creamer, John S., 227–8
- Cremeans, Jamie, 284–5
- Cuba, 108, 135, 198, 229–30, 312
- Curtis, John, 270
- Daniel, Jean, 286–7
- de Gaulle, Charles, 144
- Del Naja, Robert, 362–3, 364
- democracy, 315–8
- Diamond, Larry, 236
- Dominican Republic, 24–5, 28–9
- Drug War: in Bolivia, 155, 220–22, 231–2; in Colombia, 154, 169–70; in Honduras, 158–64; in Latin America, 153–6, 160–61, 169–70, 331; in US, 300–301; US government program, 152–4
- Dulles, John Foster, 106, 313
- Dworzak, Thomas, 369
- Dwyer, Michael, 178–9, 180
- East Timor, 149–50
- Ecuador, 5, 155, 156
- Egypt: art scene, 357–8; and IMF, 340–41, 344; and Israeli-Palestinian conflict, 338, 343–4, 345; strikes, 341, 342–3, 344; uprising, 334–46; and US, 335–40
- El Salvador, 45, 80, 82, 157, 160
- energy supplies: Middle East, 104–6; and Turkey, 136–7; *see also* fracking industry; mining industry
- Engel, Eliot, 156
- Environmental Protection Agency (EPA), 253–4, 257–9
- Esclusa, Alejandro Peña, 206–7
- Evol, 359, 372
- Facussé, Miguel, 162, 176–7
- Farrakhan, Abdur Rahman, 294–5
- Farzat, Ali, 371

THE RACKET

- Fathi, David, 305, 306  
 Faucette, Steven, 221  
 FDI (foreign direct investment),  
     56–8, 216  
 Feierstein, Mark, 207–8  
 Ferguson, Niall, 142  
 Fernández, Leopoldo, 204, 205,  
     207  
 Fields, Dorothy, 295–6  
 Finkelstein, Norman, 116–17,  
     119  
 Foner, Eric, 264  
 fracking industry, 255–7  
 France, and NATO, 144  
 free trade agreements, 61–6  
 Friedman, Thomas, 56–7  
 Friedman-Rudovsky, Jean, 230–1  
 Fukuyama, Francis, 100  
  
 Ganzeer, 358–9, 361  
 Garza, Danny, 266  
 GATT (General Agreement on  
     Tariffs and Trade), 61–3  
 GEO Group, 305  
 Goldberg, Philip, 201, 225–6  
 Golinger, Eva, *The Chávez Code:  
     Cracking US Intervention in  
     Venezuela*, 320–21  
 Good, David, 266  
 Graeber, David, 264  
  
 Greenlee, David N., 227  
 Greenstone, Michael, 274–5  
 Grenada, 35, 102  
 Guatemala, 82, 312, 313  
 Guevara, Che, 202  
 Gustavo CP, 369  
 Gutierrez, Alberto, 269  
  
 Hafez, Khaled, 360–61  
 Haiti, 13–40; agriculture, 38–40,  
     65; E-Power electricity plant,  
     15; earthquake and aftermath,  
     13–16, 22, 27–8, 37–8;  
     education, 26; industrial parks  
     (exports processing zones),  
     27–34; privatization, 21–2,  
     25–6; reconstruction, 16–18,  
     22–7, 34–5, 37–8; street  
     art, 370; tourism, 24; trades  
     unions, 31–2; and US, 18–22,  
     35–6, 101  
 Haltom, Vernon, 251–3  
 Halvorsen Hellum, Thor, 186–7  
 Halvorsen, Thor, 186–9, 191  
 el-Hamalawy, Hossam, 342–3,  
     344–5  
 Harris, John, 277–8, 279  
 Hassen, Abdel Basset Ben, 352–3  
 Heath, Edward, 108  
 Hebron, 124–5

## INDEX

- Henson, Scott, 303
- Hess, Jake, 134, 137, 138
- Hitchens, Christopher, 149
- Honduras, 157–77; Cofadeh (Committee of the Relatives of the Detained and Disappeared), 165, 176; coup (2009), 157, 159, 162, 166–7, 174–5, 371; Drug War, 158–62; Forward Operating Locations, 160–61; Hurricane Mitch, 172; LIBRE party, 159–61, 166, 167; *maquiladoras* (sweatshops), 172, 173–4; private militias, 162, 176; and US, 174–7; violence, 163–5, 167, 168, 171, 175
- Hull, Cordell, 42–3, 99
- Human Rights Foundation (HRF), 186–91, 205, 228
- India, 86
- Indonesia, 48–9, 149–51
- Inter-American Development Bank (IADB), 16–17, 24–6, 39–40
- International Monetary Fund (IMF), 42, 47, 49–51, 54, 340–41, 344
- Iran, 105–6
- Iraq, 59–60, 133–4, 136
- Iraq War (2003), 99–100, 147–8, 371, 373
- Israel: City of David tour, 113–14; East Jerusalem, 109–10; Israeli Defense Forces (IDF) conduct, 121–2, 125–6; “Security Wall”, 116; settlements, 113; UN resolutions, 115; and US, 108, 117–19
- Israeli-Palestinian conflict, 109, 110–11, 123–6, 338, 340, 343–4, 345; *see also* Palestinians
- Jackson-Forbes, Paulette, 294, 296
- Jakes, Jylly, 290–91
- Johnstone, Mark, 290
- Joiner, Rosemary, 297–8
- Jones, Van, 263
- Kell, Liam, 368
- Kennan, George F., 103–4
- Kennard, Peter, 366–8
- Keynes, John Maynard, 42–3
- Khouddous, Sharif Abdel, 337–9, 341–2

THE RACKET

- Kissinger, Henry, 133, 147,  
148–52, 234, 313, 321
- Klein, Naomi, 22, 372
- Koch, David, 272
- Kosovo war, 144–6
- Kubiske, Lisa, 172–7
- Kurdistan Regional Government  
(KRG), 133–4
- Kurdistan Workers' Party (PKK),  
128, 129–31, 137, 138–9
- Kurds, 127–33, 134, 135, 137,  
138–9, 140, 150–51
- LaFeber, Walter, 44, 45, 103, 144
- Latin America: and Asia, 71;  
Drug War, 153–6, 160–62,  
169–71, 331; export-  
orientated industrialization,  
48–50; Operation Condor,  
315; US foreign policy,  
311–15; *see also* individual  
countries
- Latuff, Carlos, 370, 371, 376
- Linera, Álvaro García, 182, 200,  
214
- Livingstone, Ken, 105, 142
- Lobo, Porfirio, 159
- Lozada, Gonzalo Sánchez de  
(Goni), 181, 208, 225
- Lugo, Fernando, 315
- Lula da Silva, Luiz Inácio, 51
- McDonald, Allan, 371
- Maduro, Nicolás, 319
- Magyarosi, Árpád, 178–9
- Mann, Michael, 100–101, 119,  
143–4
- Manning, Chelsea, 352
- Marinkovic, Branko, 181, 188,  
200–201, 216–17
- Marshall Plan, 67–9
- Martelly, Michel, 17–18, 24, 40
- Mearsheimer, John, 118
- Menem, Carlos, 52–4
- Menendez, Robert, 289
- Mercosur, 72
- Mexico: Drug War, 154–5,  
169–70, 331; human rights,  
330–31; massacre (1996), 324;  
military, 327, 331–3; mining  
industry, 80, 82; mural art,  
369; and NAFTA, 55–6, 323,  
327–8; Zapatistas, 322–7, 329
- Miller, Juaquina, 288
- mining industry, 79–94;  
corporate social responsibility  
(CSR), 81–6; and local  
communities, 83–4, 86–9;  
local resistance, 86–7;  
mountaintop coal mining  
(MTM), 252–5, 257–9;

## INDEX

- resource nationalism, 89–4;  
 violence, 79–80
- Monroe Doctrine, 311–12
- Morales, Evo: mining industry,  
 89; popular mandate, 203,  
 218–20; president, 182,  
 183–4, 191; racist press  
 coverage, 224; and Santa  
 Cruz plot, 179, 180, 181; and  
 US, 184–5, 204–5, 210–11,  
 225, 226, 314; and US Drug  
 Enforcement Administration  
 (DEA), 155, 220–22
- Morayef, Soraya, 340, 357–8
- Morquecho, Gaspar, 328–9, 332
- Mosaddeq, Mohammed, 105–6
- Mozambique, 82–3
- Mubarak, Hosni, 334–6,  
 338–40, 342, 345
- Murdoch, Rupert, 272
- NAFTA (North American Free  
 Trade Agreement), 7, 55–6,  
 64–5, 71–2, 323, 327–8
- Nasser, Gamal Abdel, 343
- National Endowment for  
 Democracy (NED), 197,  
 222–4
- Native Americans, 243–59;  
 casino tribes, 246, 249;  
 defense contracts, 249–50; and  
 financial sector, 243–50; and  
 fracking, 255–7; Indian loan  
 guarantee program, 247–8;  
 mountaintop coal mining,  
 251–5
- NATO, 135, 143–6
- Navarro, César, 179–80, 182,  
 185–6, 201–2
- Netanyahu, Benjamin, 113
- Nicaragua, 45, 143, 312–13
- Nigeria, 90–91, 94
- Nixon, Richard, 46, 117, 152–3,  
 234
- Noble Drew housing project,  
 292–8
- Northern Ireland, 368
- Nova, Max, 375
- Oates, Jane, 278–9
- Obama, Barack, 71–2, 73–4,  
 166–7, 182, 227, 247–8, 289,  
 291, 352
- Occupy Wall Street, 262–7,  
 271–3, 281–2, 375
- Olsen, John, 276–7
- Operation Condor, 315
- Ortega, Roberto Chankin,  
 325–6, 327
- Orwell, George, 126

- Özal, Turgut, 129
- Palestinians: “100 Shaheed – 100 Lives” exhibition, 368–9; Bil’in demonstrations, 120–3, 125–6; and Egypt, 338; evictions, 109–12, 113–14; Hebron, 124–5; Nakba, 111; refugee communities, 114–15; *see also* Israeli-Palestinian conflict
- Panama, 72, 73
- Paraguay, 315
- Paul, Ron, 155–6
- Perkins, John, 313
- Peru, 87
- Picasso, Pablo, Guernica, 371
- Pinochet, Augusto, 150
- Pinto, Roger, 189–90
- Powell, Colin, 147, 371, 373
- Prado, Gary, 202
- Préval, René, 19
- Quirk, Dennis, 307–8
- Qureshi, Rizvi, 261
- Reagan, Ronald, 35, 63, 313
- Red Cross, 37, 38
- Rivera, Diego, 372–3
- Rivera, John, 303, 304
- Roberts, Andrew, 102
- Rosembert, Jerry, 370
- Rove, Karl, 152
- Rózsa-Flores, Eduardo, 178–9, 200–202
- Rua, Fernando de la, 54
- Ruiz, Samuel, 198–200
- Russia, 229
- El Saadawi, Nawal, 344–6
- Sadat, Anwar, 343
- Sandberg, Jeff, 158–9, 160–61, 163, 168–70, 171
- Sanders, Bernie, 65–6
- Sarkozy, Nicolas, 348
- Saudi Arabia, and US, 105
- Schwartz, Howard, 308
- Sennett, Richard, 275–6
- Short, Clare, 107–8
- Shriqui, Moises, 188–9
- Siméus, Dumas, 19
- Smith, Bert, 277
- Sobel, Victoria, 262–3
- South Africa, 87–8, 93–4
- South Korea, 33, 58, 65, 91
- Soviet Union, 69–70
- Spain, 315–16, 317–18
- Stiglitz, Joseph, 58, 59–60, 262
- Straw, Jack, 99–101, 101–2, 107

## INDEX

- student loans, 268–72  
 Suharto, 47–8  
 Swoon, 371–2
- Tadic, Mario, 179, 181–2,  
 203–4
- Taiwan, 58, 65
- Tanzania, 82
- Teamsters, 281
- terrorism, 8, 147–8
- Thatcher, Margaret, 139
- Tóásó, Elöd, 179
- Topshop, 261
- trade: free trade agreements,  
 61–6; *see also* NAFTA  
 (North American Free Trade  
 Agreement)
- Transport Workers Union, 265
- Truman Doctrine, 103–4
- Tunisia, uprising, 347–56
- Turkey: agriculture, 139–41;  
 Kurdish population, 127–33,  
 134, 135, 139–40, 140,  
 150–51; and the Middle East,  
 137–8; and NATO, 135, 146;  
 and PKK (Kurdistan Workers'  
 Party), 128, 129–31, 137,  
 138–9; privatization, 139,  
 350–51; and US, 135–9
- Tutu, Desmond, 116
- UK Uncut, 261
- United Kingdom, 106–8, 112
- United Nations: creation, 97–8;  
 Economic and Social Council,  
 98; General Assembly, 98;  
 and Iraq, 99–100, 101–2;  
 and Israel, 115, 119; Pando  
 massacre report, 204–5;  
 Picasso's *Guernica*, 371, 373;  
 Security Council, 98–99; US  
 dominance, 99–103
- United States: aid programs,  
 67–70, 101; and Bretton  
 Woods institutions, 42–6;  
 Canada trade agreement,  
 63–4; Chamber of Commerce,  
 258–9; drugs offenses,  
 300–301; and Egypt, 335–40;  
 food stamp program, 284–7;  
 foreign policy, 6–8, 35–6;  
 homelessness, 288–90; and  
 Israel, 108, 117–19; justice  
 system, 304, 306–8; military  
 bases, 142–4; military budget,  
 142; mortgage foreclosures,  
 290–2; murder of journalists,  
 134; and Native Americans,  
 243–50; Noble Drew housing  
 project, 292–8; poverty,  
 282–3; prison privatization,



THE RACKET

- 300–306; protectionism, 62;  
 trade unions, 265–6, 276–7,  
 279–82; and Turkey, 135–9;  
 and UK, 106–8; and UN,  
 99–103; unemployment,  
 277–8; unemployment  
 insurance, 278–9; universities,  
 267–71; wages, 274–7,  
 279–80; *see also* CIA;  
 USAID
- UnoAmerica, 193, 206–7, 228
- Urenda, Juan Carlos, 193
- US Uncut, 260–2
- USAID: and Bolivia, 193–5,  
 207–15, 215–16, 217–18;  
 and Haiti, 16; and US foreign  
 policy, 101
- van Schaick, John Alexander,  
 230, 231
- Vargas, Wilfredo, 235–6
- Vaughn, Mo, 293
- Vedanta, 85, 86–7
- Venezuela: and Bolivia, 198,  
 229–30; Chavez achievements,  
 318–21; coup attempt (2002),  
 58, 206–8, 314, 315, 321–2
- Vergara, Verónica Berrios,  
 214–15
- Vietnam War, 107–108, 148,  
 151
- Vodafone, 261
- Walt, Stephen, 118
- War on Drugs, *see* Drug War
- Warnholz, Jean-Louis, 16
- Washington Consensus, 51, 57,  
 59
- White, Alan, 292
- White, Harry Dexter, 42–3
- Wilson, Harold, 107–108
- Wodiczko, Krzysztof, 374, 375–6
- World Bank: establishment,  
 42–5; and Haiti, 16, 25, 38–9
- Yorke, Thom, 362, 364–5

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