

## **On John Perkins' *Confessions of an Economic Hit Man*, and Its Relevance to East Timor**

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## **A Visit to the Bookstore**

In a recent visit to the local Barnes and Noble bookstore, I noticed, in the “New Age” section, a book by John Perkins, entitled, *Shapeshifting: Techniques for Global and Personal Transformation* (Destiny Books, 1997). I glanced through the book, and it seemed interesting. As I walked to the cashier, I noticed the note on the front cover stating that Perkins is also the author of the book, *Confessions of an Economic Hit Man* (Plume, 2004, 2006). I had heard reference to the *Confessions* book, but had not read it or a review of it. It piqued my curiosity that someone would be writing books on both “New Age” and economics topics, and so I asked the information desk whether the *Confessions* book was in stock. It was, and so I purchased both books.

I read the *Shapeshifting* book first. It presents an interesting description of “one man’s journey” on the path to enlightenment, but is not otherwise unusual. As is the case with most “New Age” books, it describes a lot of subjective experiences that may have

been profound to the author, but are simply of casual interest to others who do not share these experiences.

## **The Global Economic World Order: A Few Very Rich, and Many Very Poor**

The *Confessions* book, however, was quite another matter. For years, I have been writing that the activities of international development organizations have, overall, done nothing but greatly expand the amount of human poverty and misery on the planet. My view on this was based largely on the *results* of these programs, rather than on their *expressed intent*, which is to reduce human poverty and misery. In virtually every Third-World country that has accepted World Bank loans, there are vastly more people living in poverty and misery than there were sixty years ago, when the World Bank (International Bank for Reconstruction and Development) started operation. It is patently obvious that the international loans are not working. They have not resulted in a good quality of life for the citizens of the recipient countries, and in many cases, they have caused severe environmental destruction (e.g., the building of large hydroelectric dams and the causing of massive environmental destruction, such as annihilation of wildlife, rivers, lakes, and forests).

Perkins' book was very interesting to me because his entire book is focused on the fact that it is the *intended and primary goal* of international development loans to burden the recipient nations with massive debt, so that they become totally in thrall to the developed countries. This is accomplished by offering great riches to the recipient country's leaders, and it is invariably accompanied by a tremendous increase in the amount of poverty and human misery for the great majority of the population. The tremendous human misery and environmental destruction caused by international development agencies is a direct consequence of

the development aid, but it is of no consequence to the aid agencies, since their sole motivation is to increase wealth for the elite who control Western industrialized society.

Perkins' book is well written and interesting, and I recommend it to anyone who is interested in how the global economic system that controls the planet works. Here follow a number of excerpts from the book. I shall present somewhat more excerpted material here than I usually do, for several reasons. First, I hope that after reading the selections presented below you will purchase the book (the paperback edition that I bought cost USD15.00). More importantly, Perkins' material is germane to the present situation in East Timor, a country in which I have worked and for which I have affection. After presenting Perkins' material, I will discuss these parallels. There are no bookstores in East Timor. In order for readers to better appreciate the points that I will make, it is necessary for them to have available more than just a few short excerpts from Perkins' book. I trust that Mr. Perkins will understand the rationale and justification for my presenting somewhat longer excerpts than would be normal in a usual book review. I have worked overseas in less-developed countries for much of the past 15 years, and I know from firsthand experience that most people are unaware of the pernicious effects of development aid, and few people have ever read a book on the subject.

### **The Primary Goal of Economic Consultants who Serve International Lending Agencies: Create Massive Debt in Third-World Countries**

[Start of excerpts from Perkins' book.]

Claudine told me that there were two primary objectives of my work [at Chas. T. Main, Inc., an economic consulting firm]. First, I

was to justify huge international loans that would funnel money back to MAIN and other U.S. companies (such as Bechtel, Halliburton, Stone & Webster, and Brown and Root) through massive engineering and construction projects. Second, I would work to bankrupt the countries that received these loans (after they had paid MAIN and the other U.S. contractors, of course) so that they would be forever beholden to their creditors, and so they would present easy targets when we needed favors, including military bases, UN votes, or access to oil and other natural resources.

My job, she said, was to forecast the effects of investing of dollars in a country. Specifically, I would produce studies that projected economic growth twenty to twenty-five years into the future and that evaluated the impacts of a variety of projects. For example, if a decision was made to lend a country \$1 billion to persuade its leaders not to align with the Soviet Union, I would compare the benefits of investing that money in power plants with the benefits of investing in a new national railroad network or a telecommunications system. Or I might be told that the country was being offered the opportunity to receive a modern electric utility system, and it would be up to me to demonstrate that such a system would result in sufficient economic growth to justify the loan. The critical factor, in every case, was gross national product. The project that resulted in the highest average annual growth of GNP won. If only one project was under consideration, I would need to demonstrate that developing it would bring superior benefits to the GNP.

The unspoken aspect of every one of these projects was that they were intended to create large profits for the contractors, and to make a handful of wealthy and influential families in the receiving countries very happy, while assuring the long-term financial dependence and therefore the political loyalty of governments around the world. The larger the loan, the better. The fact that the

debt burden placed on a country would deprive its poorest citizens of health, education, and other social services for decades to come was not taken into consideration.

Claudine and I openly discussed the deceptive nature of GNP. For instance, the growth of GNP may result even when it profits only one person, such as an individual who owns a utility company, and even if the majority of the population is burdened with debt. The rich get richer and the poor grow poorer. Yet, from a statistical standpoint, this is recorded as economic progress.

Like U.S. citizens in general, most MAIN employees believed we were doing countries favors when we built power plants, highways, and ports. Our schools and our press have taught us to perceive all of our actions as altruistic. Over the years, I've repeatedly heard comments like, "If they're going to burn the U.S. flag and demonstrate against our embassy, why don't we just get out of their damn country and let them wallow in their own poverty?"

People who say such things often hold diplomas certifying that they are well educated. However, these people have no clue that the main reason we establish embassies around the world is to serve our own interests, which during the last half of the twentieth century meant turning the American republic into a global empire. Despite credentials, such people are as uneducated as those eighteenth-century colonists who believed that the Indians fighting to defend their lands were servants of the devil.

Within several months, I would leave for the island of Java in the country of Indonesia, described at that time as the most heavily populated piece of real estate on the planet. Indonesia also happened to be an oil-rich Muslim nation and a hotbed of communist activity.

"It's the next domino after Vietnam," is the way Claudine put it. "We must win the Indonesians over. If they join the Communist bloc, well...." She drew a finger across her throat and then smiled sweetly. "Let's just say you need to come up with a very optimistic forecast of the economy, how it will mushroom after all the new power plants and distribution lines are built. That will allow USAID and the international banks to justify the loans. You'll be well rewarded, of course, and can move on to other projects in exotic places. The world is your shopping cart.

Tossing and turning in my bed, I found it impossible to deny that Charlie and everyone else on our team were here for selfish reasons. We were promoting U.S. foreign policy and corporate interests. We were driven by greed rather than by any desire to make life better for the vast majority of Indonesians. A word came to mind: *corporatocracy*. I was not sure whether I had heard it before or had just invented it, but it seemed to describe perfectly the new elite who had made up their minds to attempt to rule the planet.

This was a close-knit fraternity of a few men with shared goals, and the fraternity's members moved easily and often between corporate boards and government positions. It struck me that the current president of the World Bank, Robert McNamara, was a perfect example. He had moved from a position as president of Ford Motor Company, to secretary of defense under presidents Kennedy and Johnson, and now occupied the top post at the world's most powerful financial institution.

I also realized that my college professors had not understood the true nature of macroeconomics: that in many cases helping an economy grow only makes those few people who sit atop the pyramid even richer, while it does nothing for those at the bottom except to push them even lower. Indeed, promoting capitalism often results in a system that resembles medieval feudal

societies. If any of my professors knew this, they had not admitted it – probably because big corporations, and the men who run them, fund colleges. Exposing the truth would undoubtedly cost those professors their jobs – just as such revelations could cost me mine.

## **The Indonesia Project: Why the Third World Hates the United States**

Later we all retired to the coffeehouse. Rasy and the others assured me that they had not been informed ahead of time about the Nixon-World Bank skit. "You never know what to expect from that puppeteer," one of the young men observed.

I wondered aloud whether this had been staged in my honor. Someone laughed and said I had a very big ego. "Typical of Americans," he added, patting my back congenially.

"Indonesians are very conscious of politics," the man in the chair beside me said. "Don't Americans go to shows like this?"

A beautiful woman, an English major at the university, sat across the table from me. "But you do work for the World Bank, don't you?" she asked.

I told her that my current assignment was for the Asian Development Bank and the United States Agency for International Development.

"Aren't they really all the same?" She didn't wait for an answer. "Isn't it like the play tonight showed? Doesn't your government look at Indonesia and other countries as though we are just a bunch of...." She searched for the word.

"Grapes," one of her friends coached.

"Exactly. A bunch of grapes. You can pick and choose. Keep England. Eat China. And throw away Indonesia."

"After you've taken all our oil," another woman added.

I tried to defend myself but was not at all up to the task. I wanted to take pride in the fact that I had come to this part of town and had stayed to watch the entire anti-U.S. performance, which I might have construed as a personal assault. I wanted them to see the courage of what I had done, to know that I was the only member of my team who bothered to learn Bahasa or had any desire to take in their culture, and to point out that I was the sole foreigner attending this production. But I decided it would be more prudent not to mention any of this. Instead, I tried to refocus the conversation. I asked them why they thought the *dalang* had singled out Muslim countries, except for Vietnam.

The beautiful English major laughed at this. "Because that's the plan."

"Vietnam is just a holding action," one of the men interjected, "like Holland was for the Nazis. A stepping-stone."

"The real target," the woman continued, "is the Muslim world."

I could not let this go unanswered. "Surely," I protested, "you can't believe that the United States is anti-Islamic."

"Oh no?" she asked. "Since when? You need to read one of your own historians – a Brit named Toynbee. Back in the fifties he predicted that the real war in the next century would not be between Communists and capitalists, but between Christians and

Muslims."

"Arnold Toynbee said that?" I was stunned.

"Yes. Read *Civilization on Trial* and *The World and the West*."

"But why should there be such animosity between Muslims and Christians?" I asked.

Looks were exchanged around the table. They appeared to find it hard to believe that I could ask such a foolish question.

"Because," she said slowly, as though addressing someone slow-witted or hard of hearing, "the West – especially its leader, the U.S. – is determined to take control of all the world, to become the greatest empire in history. It has already gotten very close to succeeding. The Soviet Union currently stands in its way, but the Soviets will not endure. Toynbee could see that. They have no religion, no faith, no substance behind their ideology. History demonstrates that faith -- soul, a belief in higher powers – is essential. We Muslims have it. We have it more than anyone else in the world, even more than the Christians. So we wait. We grow strong."

"We will take our time," one of the men chimed in, "and then like a snake we will strike."

"What a horrible thought!" I could barely contain myself. "What can we do to change this?"

The English major looked me directly in the eyes. "Stop being so greedy," she said, "and so selfish. Realize that there is more to the world than your big houses and fancy stores. People are starving and you worry about oil for your cars. Babies are dying of thirst and you search the fashion magazines for the latest styles.

Nations like ours are drowning in poverty, but your people don't even hear our cries for help. You shut your ears to the voices of those who try to tell you these things. You label them radicals or Communists. You must open your hearts to the poor and downtrodden, instead of driving them further into poverty and servitude. There's not much time left. If you don't change, you're doomed.”

## **The Way of All Empires**

My discussion with those young Indonesians, however, forced me to see another aspect of the issue. Through their eyes, I realized that a selfish approach to foreign policy does not serve or protect future generations anywhere. It is myopic, like the annual reports of the corporations and the election strategies of the politicians who formulate that foreign policy.

The concept of a worldwide holy war was a disturbing one, but the longer I contemplated it, the more convinced I became of its possibility. It seemed to me, however, that if this jihad were to occur it would be less about Muslims versus Christians than it would be about LDCs versus DCs, perhaps with Muslims at the forefront. We in the DCs were the users of resources; those in the LDCs were the suppliers. It was the colonial mercantile system all over again, set up to make it easy for those with power and limited natural resources to exploit those with resources but no power.

I did not have a copy of Toynbee with me, but I knew enough history to understand that suppliers who are exploited long enough will rebel. I only had to return to the American Revolution and Tom Paine for a model. I recalled that Britain justified its taxes by claiming that England was providing aid to the colonies

in the form of military protection against the French and the Indians. The colonists had a very different interpretation.

What Paine offered to his countrymen in the brilliant *Common Sense* was the soul that my young Indonesian friends had referred to – an idea, a faith in the justice of a higher power, and a religion of freedom and equality that was diametrically opposed to the British monarchy and its elitist class systems. What Muslims offered was similar: faith in a higher power and a belief that developed countries have no right to subjugate and exploit the rest of the world. Like colonial minutemen, Muslims were threatening to fight for their rights, and like the British in the 1770s, we classified such actions as terrorism. History appeared to be repeating itself.

I wondered what sort of a world we might have if the United States and its allies diverted all the monies expended in colonial wars – like the one in Vietnam – to eradicating world hunger or to making education and basic health care available to all people, including our own. I wondered how future generations would be affected if we committed to alleviating the sources of misery and to protecting watersheds, forests, and other natural areas that ensure clean water, air, and the things that feed our spirits as well as our bodies. I could not believe that our Founding Fathers had envisioned the right to life, liberty, and the pursuit of happiness to exist only for Americans, so why were we now implementing strategies that promoted the imperialist values they had fought against?

Eventually, however, this perspective also changed. I came to understand that most of those men believed they were doing the right thing. Like Charlie, they were convinced that communism and terrorism were evil forces – rather than the predictable reactions to decisions they and their predecessors had made – and that they had a duty to their country, to their offspring, and to

God to convert the world to capitalism. They also clung to the principle of survival of the fittest; if they happened to enjoy the good fortune to have been born into a privileged class instead of inside a cardboard shack, then they saw it as an obligation to pass this heritage on to their progeny.

I vacillated between viewing such people as an actual conspiracy and simply seeing them as a tight-knit fraternity bent on dominating the world. Nonetheless, over time I began to liken them to the plantation owners of the pre-Civil War South. They were men drawn together in a loose association by common beliefs and shared self-interest, rather than an exclusive group meeting in clandestine hideaways with focused and sinister intent. The plantation autocrats had grown up with servants and slaves, had been educated to believe that it was their right and even their duty to take care of the "heathens" and to convert them to the owners' religion and way of life. Even if slavery repulsed them philosophically, they could, like Thomas Jefferson, justify it as a necessity, the collapse of which would result in social and economic chaos. The leaders of the modern oligarchies, what I now thought of as the corporatocracy, seemed to fit the same mold.

I also began to wonder who benefits from war and the mass production of weapons, from the damming of rivers and the destruction of indigenous environments and cultures. I began to look at who benefits when hundreds of thousands of people die from insufficient food, polluted water, or curable diseases. Slowly, I came to realize that in the long run no one benefits, but in the short term those at the top of the pyramid – my bosses and me – appear to benefit, at least materially.

This raised several other questions: Why does this situation persist? Why has it endured for so long? Does the answer lie

simply in the old adage that "might is right," that those with the power perpetuate the system?

It seemed insufficient to say that power alone allows this situation to persist. While the proposition that might makes right explained a great deal, I felt there must be a more compelling force at work here. I recalled an economics professor from my business school days, a man from northern India, who lectured about limited resources, about man's need to grow continually, and about the principle of slave labor. According to this professor, all successful capitalist systems involve hierarchies with rigid chains of command, including a handful at the very top who control descending orders of subordinates, and a massive army of workers at the bottom, who in relative economic terms truly can be classified as slaves. Ultimately, then, I became convinced that we encourage this system because the corporatocracy has convinced us that God has given us the right to place a few of our people at the very top of this capitalist pyramid and to export our system to the entire world.

Of course, we are not the first to do this. The list of practitioners stretches back to the ancient empires of North Africa, the Middle East, and Asia, and works its way up through Persia, Greece, Rome, the Christian Crusades, and all the European empire builders of the post-Columbian era. This imperialist drive has been and continues to be the cause of most wars, pollution, starvation, species extinctions, and genocides. And it has always taken a serious toll on the conscience and well-being of the citizens of those empires, contributing to social malaise and resulting in a situation where the wealthiest cultures in human history are plagued with the highest rates of suicide, drug abuse, and violence.

I thought extensively on these questions, but I avoided considering the nature of my own role in all of this. I tried to think

of myself not as an EHM [economic hit man] but as a chief economist. It sounded so very legitimate, and if I needed any confirmation, I could look at my pay stubs: all were from MAIN, a private corporation. I didn't earn a penny from the NSA or any government agency. And so I became convinced. Almost.

### **The Panama Project, Part I (The Assassination of General Omar Torrijos, Who Tried to Use International Aid Loans to Help the Poor)**

I had stumbled across an article in some obscure journal in the BPL [Boston Public Library] racks that praised Torrijos as a man who would alter the history of the Americas, reversing a long-term trend toward U.S. domination. The author cited as his starting point Manifest Destiny – the doctrine, popular with many Americans during the 1840s, that the conquest of North America was divinely ordained; that God, not men, had ordered the destruction of Indians, forests, and buffalo, the draining of swamps and the channeling of rivers, and the development of an economy that depends on the continuing exploitation of labor and natural resources.

This conversation [with General Omar Torrijos Herrera, President of Panama, who died in a plane crash on July 31, 1981, reportedly because he refused to renegotiate with President Ronald Reagan the Panama Canal treaty that he had previously negotiated with President Jimmy Carter] left me feeling very uncomfortable. I was one of the people who perpetuated the system he so despised, and I was certain he knew it. My job of convincing him to accept international loans in exchange for hiring U.S. engineering and construction firms appeared to have hit a mammoth wall. I decided to confront him head-on.

"General," I asked, "why did you invite me here?"

He glanced at his watch and smiled. "Yes, time now to get down to our own business. Panama needs your help. I need your help."

I was stunned. "My help? What can I do for you?"

"We will take back the Canal. But that's not enough." He relaxed into his chair. "We must also serve as a model. We must show that we care about our poor and we must demonstrate beyond any doubt that our determination to win our independence is not dictated by Russia, China, or Cuba. We must prove to the world that Panama is a reasonable country, that we stand not against the United States but for the rights of the poor."

He crossed one leg over the other. "In order to do that we need to build up an economic base that is like none in this hemisphere. Electricity, yes – but electricity that reaches the poorest of our poor and is subsidized. The same for transportation and communications. And especially for agriculture. Doing that will take money – your money, the World Bank and the Inter-American Development Bank."

Once again, he leaned forward. His eyes held mine. "I understand that your company wants more work and usually gets it by inflating the size of projects – wider highways, bigger power plants, deeper harbors. This time is different, though. Give me what's best for my people, and I'll give you all the work you want."

What he proposed was totally unexpected, and it both shocked and excited me. It certainly defied all I had learned at MAIN. Surely, he knew that the foreign aid game was a sham – he had to know. It existed to make him rich and to shackle his country with debt. It was there so Panama would be forever obligated to the United States and the corporatocracy. It was there to keep Latin America on the path of Manifest Destiny and forever

subservient to Washington and Wall Street. I was certain that he knew that the system was based on the assumption that all men in power are corruptible, and that his decision not to use it for his personal benefit would be seen as a threat, a new form of domino that might start a chain reaction and eventually topple the entire system.

### **The Goal of the West for Less-Developed Oil-Rich States: Spend All of the Money on Western-Built Infrastructure; the Saudi Arabia Project**

[The objective of an economic hit man is different in developing countries that have much oil, and, it follows massive amounts of “petrodollars.” The objective of the West for these countries is not to burden the country with debt from loans from international agencies, but to coerce the country to spend most of its wealth on development using US (or other first-world) companies. A primary tool in achieving this goal is to agree to defend the country in exchange for its spending its oil wealth on development projects conducted by US (or other Western) firms. Another tool is massive bribes to the country’s leaders. The following paragraphs relate to Perkins’ experience in Saudi Arabia.

[The material that follows is particularly relevant to East Timor. Since East Timor is very underdeveloped but has title to an estimated sixteen billion dollars worth of oil, it will be the object of intense pressure to spend its oil wealth on massive infrastructure development projects, such as was done in Saudi Arabia. I will discuss this point in further detail later.]

In 1974, a diplomat from Saudi Arabia showed me photos of Riyadh, the capital of his country. Included in these photos was a herd of goats rummaging among piles of refuse outside a government building. When I asked the diplomat about them, his

response shocked me. He told me that they were the city's main garbage disposal system.

"No self-respecting Saudi would ever collect trash," he said. "We leave it to the beasts."

Goats! In the capital of the world's greatest oil kingdom. It seemed unbelievable.

At the time, I was one of a group of consultants just beginning to try to piece together a solution to the oil crisis. Those goats led me to an understanding of how that solution might evolve, especially given the country's pattern of development over the previous three centuries.

My job was to develop forecasts of what might happen in Saudi Arabia if vast amounts of money were invested in its infrastructure, and to map out scenarios for spending that money. In short, I was asked to apply as much creativity as I could to justifying the infusion of hundreds of millions of dollars into the Saudi Arabian economy, under conditions that would include U.S. engineering and construction companies. I was told to do this on my own, not to rely on my staff, and I was sequestered in a small conference room several floors above the one where my department was located. I was warned that my job was both a matter of national security and potentially very lucrative for MAIN.

I understood, of course, that the primary objective here was not the usual – to burden this country with debts it could never repay – but rather to find ways that would assure that a large portion of petrodollars found their way back to the United States. In the process, Saudi Arabia would be drawn in, its economy would become increasingly intertwined with and dependent upon ours, and presumably it would grow more Westernized and therefore more sympathetic with and integrated into our system.

Once I got started, I realized that the goats wandering the streets of Riyadh were the symbolic key; they were a sore point among Saudis jet-setting around the world. Those goats begged to be replaced by something more appropriate for, this desert kingdom that craved entry into the modern world. I also knew that OPEC economists were stressing the need for oil-rich countries to obtain more value-added products from their petroleum. Rather than simply exporting crude oil, the economists were urging these countries to develop industries of their own, to use this oil to produce petroleum-based products they could sell to the rest of the world at a higher price than that brought by the crude itself.

This twin realization opened the door to a strategy I felt certain would be a win-win situation for everyone. The goats, of course, were merely an entry point. Oil revenues could be employed to hire U.S. companies to replace the goats with the world's most modern garbage collection and disposal system, and the Saudis could take great pride in this state-of-the-art technology.

I came to think of the goats as one side of an equation that could be applied to most of the kingdom's economic sectors, a formula for success in the eyes of the royal family, the U.S. Department of the Treasury, and my bosses at MAIN. Under this formula, money would be earmarked to create an industrial sector focused on transforming raw petroleum into finished products for export. Large petrochemical complexes would rise from the desert, and around them, huge industrial parks. Naturally, such a plan would also require the construction of thousands of megawatts of electrical generating capacity, transmission and distribution lines, highways, pipelines, communications networks, and transportation systems, including new airports, improved seaports, a vast array of service industries, and the infrastructure essential to keep all these cogs turning.

We all had high expectations that this plan would evolve into a model of how things should be done in the rest of the world. Globe-trotting Saudis would sing our praises; they would invite leaders from many countries to come to Saudi Arabia and witness the miracles we had accomplished; those leaders would then call on us to help them devise similar plans for their countries and – in most cases, for countries outside the ring of OPEC – would arrange World Bank or other debt-ridden methods for financing them. The global empire would be well served.

As I worked through these ideas, I thought of the goats, and the words of my driver often echoed in my ears: "No self-respecting Saudi would ever collect trash:" I had heard that refrain repeatedly, in many different contexts. It was obvious that the Saudis had no intention of putting their own people to work at menial tasks, whether as laborers in industrial facilities or in the actual construction of any of the projects. In the first place, there were too few of them. In addition, the royal House of Saud had indicated a commitment to providing its citizens with a level of education and a lifestyle that were inconsistent with those of manual laborers. The Saudis might manage others, but they had no desire or motivation to become factory and construction workers. Therefore, it would be necessary to import a labor force from other countries – countries where labor was cheap and where people needed work. If possible, the labor should come from other Middle Eastern or Islamic countries, such as Egypt, Palestine, Pakistan, and Yemen.

This prospect created an even greater new stratagem for development opportunities. Mammoth housing complexes would have to be constructed for these laborers, as would shopping malls, hospitals, fire and police department facilities, water and sewage treatment plants, electrical, communications, and transportation networks – in fact, the end result would be to create modern cities where once only deserts had existed. Here, too,

was the opportunity to explore emerging technologies in, for example, desalinization plants, microwave systems, health care complexes, and computer technologies.

Saudi Arabia was a planner's dream come true, and also a fantasy realized for anyone associated with the engineering and construction business. It presented an economic opportunity unrivaled by any other in history: an underdeveloped country with virtually unlimited financial resources and a desire to enter the modern age in a big way, very quickly.

I must admit that I enjoyed this job immensely. There was no solid data available in Saudi Arabia, in the Boston Public Library, or anywhere else that justified the use of econometric models in this context. In fact, the magnitude of the job – the total and immediate transformation of an entire nation on a scale never before witnessed – meant that even had historical data existed, it would have been irrelevant.

Nor was anyone expecting this type of quantitative analysis, at least not at this stage of the game. I simply put my imagination to work and wrote reports that envisioned a glorious future for the kingdom. I had rule-of-thumb numbers I could use to estimate such things as the approximate cost to produce a megawatt of electricity, a mile of road, or adequate water, sewage, housing, food, and public services for one laborer. I was not supposed to refine these estimates or to draw final conclusions. My job was simply to describe a series of plans (more accurately, perhaps, "visions") of what might be possible, and to arrive at rough estimates of the costs associated with them.

I always kept in mind the true objectives: maximizing payouts to U.S. firms and making Saudi Arabia increasingly dependent on the United States. It did not take long to realize how closely the two went together; almost all the newly developed projects would

require continual upgrading and servicing, and they were so highly technical as to assure that the companies that originally developed them would have to maintain and modernize them. In fact, as I moved forward with my work, I began to assemble two lists for each of the projects I envisioned: one for the types of design-and-construction contracts we could expect, and another for long-term service and management agreements. MAIN, Bechtel, Brown & Root, Halliburton, Stone & Webster, and many other U.S. engineers and contractors would profit handsomely for decades to come.

Beyond the purely economic, there was another twist that would render Saudi Arabia dependent on us, though in a very different way. The modernization of this oil-rich kingdom would trigger adverse reactions. For instance, conservative Muslims would be furious; Israel and other neighboring countries would feel threatened. The economic development of this nation was likely to spawn the growth of another industry: protecting the Arabian Peninsula. Private companies specializing in such activities, as well as the U.S. military and defense industry, could expect generous contracts – and, once again, long-term service and management agreements. Their presence would require another phase of engineering and construction projects, including airports, missile sites, personnel bases, and all of the infrastructure associated with such facilities.

Under this evolving plan, Washington wanted the Saudis to guarantee to maintain oil supplies and prices at levels that could fluctuate but that would always remain acceptable to the United States and our allies. If other countries such as Iran, Iraq, Indonesia, or Venezuela threatened embargoes, Saudi Arabia, with its vast petroleum supplies, would step in to fill the gap; simply the knowledge that they might do so would, in the long run, discourage other countries from even considering an embargo. In exchange for this guarantee, Washington would offer the House

of Saudi Arabia an amazingly attractive deal: a commitment to provide total and unequivocal U.S. political and – if necessary – military support, thereby ensuring their continued existence as the rulers of their country.

It was a deal the House of Saudi Arabia could hardly refuse, given its geographic location, lack of military might, and general vulnerability to neighbors like Iran, Syria, Iraq, and Israel. Naturally, therefore, Washington used its advantage to impose one other critical condition, a condition that redefined the role of EHM's in the world and served as a model we would later attempt to apply in other countries, most notably in Iraq. In retrospect, I sometimes find it difficult to understand how Saudi Arabia could have accepted this condition. Certainly, most of the rest of the Arab world, OPEC, and other Islamic countries were appalled when they discovered the terms of the deal and the manner in which the royal house capitulated to Washington's demands.

The condition was that Saudi Arabia would use its petrodollars to purchase U.S. government securities; in turn, the interest earned by these securities would be spent by the U.S. Department of the Treasury in ways that enabled Saudi Arabia to emerge from a medieval society into the modern, industrialized world. In other words, the interest compounding on billions of dollars of the kingdom's oil income would be used to pay U.S. companies to fulfill the vision I (and presumably some of my competitors) had come up with, to convert Saudi Arabia into a modern industrial power. Our own U.S. Department of the Treasury would hire us, at Saudi expense, to build infrastructure projects and even entire cities throughout the Arabian Peninsula.

Although the Saudis reserved the right to provide input regarding the general nature of these projects, the reality was that an elite corps of foreigners (mostly infidels, in the eyes of Muslims) would determine the future appearance and economic makeup of the

Arabian Peninsula. And this would occur in a kingdom founded on conservative Wahhabi principles and run according to those principles for several centuries. It seemed a huge leap of faith on their part, yet under the circumstances, and due to the political and military pressures undoubtedly brought to bear by Washington, I suspected the Saud family felt they had few alternatives.

From our perspective, the prospects for immense profits seemed limitless. It was a sweetheart deal with potential to set an amazing precedent. And to make the deal even sweeter, no one had to obtain congressional approval – a process loathed by corporations, particularly privately owned ones like Bechtel and MAIN, which prefer not to open their books or share their secrets with anyone. Thomas W. Lippman, an adjunct scholar at the Middle East Institute and a former journalist, eloquently summarizes the salient points of this deal:

The Saudis, rolling in cash, would deliver hundreds of millions of dollars to Treasury, which held on to the funds until they were needed to pay vendors or employees. This system assured that the Saudi money would be recycled back into the American economy ... It also ensured that the commission's managers could undertake whatever projects they and the Saudis agreed were useful without having to justify them to Congress.

Establishing the parameters for this historic undertaking took less time than anyone could have imagined. After that, however, we had to figure out a way to implement it. To set the process in motion, someone at the highest level of government was dispatched to Saudi Arabia – an extremely confidential mission. I never knew for sure, but I believe the envoy was Henry Kissinger.

Whoever the envoy was, his first job was to remind the royal family about what had happened in neighboring Iran when

Mossadegh tried to oust British petroleum interests. Next, he would outline a plan that would be too attractive for them to turn down, in effect conveying to the Saudis that they had few alternatives. I have no doubt that they were left with the distinct impression that they could either accept our offer and thus gain assurances that we would support and protect them as rulers, or they could refuse – and go the way of Mossadegh. When the envoy returned to Washington, he brought with him the message that the Saudis would like to comply.

There was just one slight obstacle. We would have to convince key players in the Saudi government. This, we were informed, was a family matter. Saudi Arabia was not a democracy, and yet it seemed that within the House of Saud there was a need for consensus.

In 1975, I was assigned to one of those key players. I always thought of him as Prince W, although I never determined that he was actually a crown prince. My job was to persuade him that the Saudi Arabia Money-laundering Affair would benefit his country as well as him personally.

This was not as easy as it appeared at first. Prince W professed himself a good Wahhabi and insisted that he did not want to see his country follow in the footsteps of Western commercialism. He also claimed that he understood the insidious nature of what we were proposing. We had, he said, the same objectives as the crusaders a millennium earlier: the Christianization of the Arab world. In fact, he was partially right about this. In my opinion, the difference between the crusaders and us was a matter of degree. Europe's medieval Catholics claimed their goal was to save Muslims from purgatory; we claimed that we wanted to help the Saudis modernize. In truth, I believe the crusaders, like the corporatocracy, were primarily seeking to expand their empire.

Religious beliefs aside, Prince W had one weakness – for beautiful blondes. It seems almost ludicrous to mention what has now become an unfair stereotype, and I should mention that Prince W was the only man among many Saudis I have known who had this proclivity, or at least the only one who was willing to let me see it. Yet, it played a role in structuring this historic deal, and it demonstrates how far I would go to complete my mission.

## **From America the Republic to America the Global Empire**

Beyond my own personal dilemmas, my times in Colombia also helped me comprehend the distinction between the old American republic and the new global empire. The republic offered hope to the world. Its foundation was moral and philosophical rather than materialistic. It was based on concepts of equality and justice for all. But it also could be pragmatic, not merely a utopian dream but also a living, breathing, magnanimous entity. It could open its arms to shelter the downtrodden. It was an inspiration and at the same time a force to reckon with; if needed, it could swing into action, as it had during World War II, to defend the principles for which it stood. The very institutions – the big corporations, banks, and government bureaucracies – that threaten the republic could be used instead to institute fundamental changes in the world. Such institutions possess the communications networks and transportation systems necessary to end disease, starvation, and even wars – if only they could be convinced to take that course.

The global empire, on the other hand, is the republic's nemesis. It is self-centered, self-serving, greedy, and materialistic, a system based on mercantilism. Like empires before, its arms open only to accumulate resources, to grab everything in sight and stuff its insatiable maw. It will use whatever means it deems necessary to help its rulers gain more power and riches.

Of course, in learning to understand this distinction I also developed a clearer sense of my own role. Claudine had warned me; she had honestly outlined what would be expected of me if I accepted the job MAIN offered. Yet, it took the experience of working in countries like Indonesia, Panama, Iran, and Colombia in order for me to understand the deeper implications. And it took the patience, love, and personal stories of a woman like Paula.

I was loyal to the American republic, but what we were perpetrating through this new, highly subtle form of imperialism was the financial equivalent of what we had attempted to accomplish militarily in Vietnam. If Southeast Asia had taught us that armies have limitations, the economists had responded by devising a better plan, and the foreign aid agencies and the private contractors who served them (or, more appropriately, were served by them) had become proficient at executing that plan.

In countries on every continent, I saw how men and women working for U.S. corporations – though not officially part of the EHM network – participated in something far more pernicious than anything envisioned in conspiracy theories. Like many of MAIN's engineers, these workers were blind to the consequences of their actions, convinced that the sweatshops and factories that made shoes and automotive parts for their companies were helping the poor climb out of poverty, instead of simply burying them deeper in a type of slavery reminiscent of medieval manors and southern plantations. Like those earlier manifestations of exploitation, modern serfs or slaves were socialized into believing they were better off than the unfortunate souls who lived on the margins, in the dark hollows of Europe, in the jungles of Africa, or in the wilds of the American frontier.

The fact was that I had never thought of myself as a *bona fide* economist. I had graduated with a bachelor of science in business administration from Boston University, emphasis on marketing. I

had always been lousy in mathematics and statistics. At Middlebury College, I had majored in American literature; writing had come easily to me. My status as chief economist and as manager of Economics and Regional Planning could not be attributed to my capabilities in either economics or planning; rather, it was a function of my willingness to provide the types of studies and conclusions my bosses and clients wanted, combined with a natural acumen for persuading others through the written word. In addition, I was clever enough to hire very competent people, many with master's degrees and a couple with PhDs, acquiring a staff who knew a whole lot more about the technicalities of my business than I did. Small wonder that the author of that article concluded that "the interest and support he holds for his staff was evident and admirable."

I kept these two documents and several other similar ones in the top drawer of my desk, and I returned to them frequently. Afterward, I sometimes found myself outside my office, wandering among the desks of my staff, looking at those men and women who worked for me and feeling guilty about what I had done to them, and about the role we all played in widening the gap between rich and poor. I thought about the people who starved each day while my staff and I slept in first-class hotels, ate at the finest restaurants, and built up our financial portfolios.

I, of course, had done everything I could imagine to lighten their burden. I had written papers, given lectures, and taken every possible opportunity to convince them of the importance of optimistic forecasts, of huge loans, of infusions of capital that would spur GNP growth and make the world a better place. It had required less than a decade to arrive at this point where the seduction, the coercion, had taken a much more subtle form, a sort of gentle style of brainwashing. Now these men and women who sat at desks outside my office overlooking Boston's Back Bay were going out into the world to advance the cause of global

empire. In a very real sense, I had created them, even as Claudine had created me. But unlike me, they had been kept in the dark.

I realized that my gloss as chief economist, head of Economics and Regional Planning, was not the simple deception of a rug dealer, not something of which a buyer can beware. It was part of a sinister system aimed not at outfoxing an unsuspecting customer, but rather at promoting the most subtle and effective form of imperialism the world has ever known. Every one of the people on my staff also held a title – financial analyst, sociologist, economist, lead economist, econometrician, shadow pricing expert, and so forth – and yet none of those titles indicated that every one of them was, in his or her own way, an EHM, that every one of them was serving the interests of global empire.

Nor did the fact of those titles among my staff suggest that we were just the tip of the iceberg. Every major international company – from ones that marketed shoes and sporting goods to those that manufactured heavy equipment – had its own EHM equivalents. The march had begun and it was rapidly encircling the planet. The hoods had discarded their leather jackets, dressed up in business suits, and taken on an air of respectability. Men and women were descending from corporate headquarters in New York, Chicago, San Francisco, London, and Tokyo, streaming across every continent to convince corrupt politicians to allow their countries to be shackled to the corporatocracy, and to induce desperate people to sell their bodies to sweatshops and assembly lines.

It was disturbing to understand that the unspoken details behind the written words of my résumé and of that article defined a world of smoke and mirrors intended to keep us all shackled to a system that is morally repugnant and ultimately self-destructive. By getting me to read between the lines, Paula had nudged me to

take one more step along a path that would ultimately transform my life.

## **The Ecuador Project, Part I**

My work in Colombia and Panama gave me many opportunities to stay in touch with and to visit the first country to be my home away from home. Ecuador had suffered under a long line of dictators and right-wing oligarchies manipulated by U.S. political and commercial interests. In a way, the country was the quintessential banana republic, and the corporatocracy had made major inroads there.

The serious exploitation of oil in the Ecuadorian Amazon basin began in the late 1960s, and it resulted in a buying spree in which the small club of families who ran Ecuador played into the hands of the international banks. They saddled their country with huge amounts of debt, backed by the promise of oil revenues. Roads and industrial parks, hydroelectric dams, transmission and distribution systems, and other power projects sprang up all over the country. International engineering and construction companies struck it rich-once again.

One man whose star was rising over this Andean country was the exception to the rule of political corruption and complicity with the corporatocracy. Jaime Roldós was a university professor and attorney in his late thirties, whom I had met on several occasions. He was charismatic and charming. Once, I impetuously offered to fly to Quito and provide free consulting services any time he asked. I said it partially in jest, but also because I would gladly have done it on my own vacation time – I liked him and, as I was quick to tell him, was always looking for a good excuse to visit his country. He laughed and offered me a similar deal, saying that whenever I needed to negotiate my oil bill, I could call on him.

He had established a reputation as a populist and a nationalist, a person who believed strongly in the rights of the poor and in the responsibility of politicians to use a country's natural resources prudently. When he began campaigning for the presidency in 1978, he captured the attention of his countrymen and of citizens in every nation where foreign interests exploited oil – or where people desired independence from the influences of powerful outside forces. Roldós was the rare modern politician who was not afraid to oppose the status quo. He went after the oil companies and the not-so-subtle system that supported them.

A major part of the Roldós platform was what came to be known as the Hydrocarbons Policy. This policy was based on the premise that Ecuador's greatest potential resource was petroleum and that all future exploitation of that resource should be done in a manner that would bring the greatest benefit to the largest percentage of the population. Roldós was a firm believer in the state's obligation to assist the poor and disenfranchised. He expressed hope that the Hydrocarbons Policy could in fact be used as a vehicle for bringing about social reform. He had to walk a fine line, however, because he knew that in Ecuador, as in so many other countries, he could not be elected without the support of at least some of the most influential families, and that even if he should manage to win without them, he would never see his programs implemented without their support.

I was personally relieved that Carter was in the White House during this crucial time. Despite pressures from Texaco and other oil interests, Washington stayed pretty much out of the picture. I knew this would not have been the case under most other administrations – Republican or Democrat.

More than any other issue, I believe it was the Hydrocarbons Policy that convinced Ecuadorians to send Jaime Roldós to the

Presidential Palace in Quito – their first democratically elected president after a long line of dictators. He outlined the basis of this policy in his August 10, 1979, inaugural address:

We must take effective measures to defend the energy resources of the nation. The State (must) maintain the diversification of its exports and not lose its economic independence ... Our decisions will be inspired solely by national interests and in the unrestricted defense of our sovereign rights.

Once in office, Roldós had to focus on Texaco, since by that time it had become the main player in the oil game. It was an extremely rocky relationship. The oil giant did not trust the new president and did not want to be part of any policy that would set new precedents. It was very aware that such policies might serve as models in other countries.

A speech delivered by a key adviser to Roldós, José Carvajal, summed up the new administration's attitude:

If a partner [Texaco] does not want to take risks, to make investments for exploration, or to exploit the areas of an oil concession, the other partner has the right to make those investments and then to take over as the owner...

We believe our relations with foreign companies have to be just; we have to be tough in the struggle; we have to be prepared for all kinds of pressures, but we should not display fear or an inferiority complex in negotiating with those foreigners.

In November 1980, Carter lost the U.S. presidential election to Ronald Reagan. The Panama Canal Treaty he had negotiated with Torrijos, and the situation in Iran, especially the hostages held at the U.S. Embassy and the failed rescue attempt, were

major factors. However, something subtler was also happening. A president whose greatest goal was world peace and who was dedicated to reducing U.S. dependence on oil was replaced by a man who believed that the United States' rightful place was at the top of a world pyramid held up by military muscle, and that controlling oil fields wherever they existed was part of our Manifest Destiny. A president who installed solar panels on White House roofs was replaced by one who, immediately upon occupying the Oval Office, had them removed.

Carter may have been an ineffective politician, but he had a vision for America that was consistent with the one defined in our Declaration of Independence. In retrospect, he now seems naively archaic, a throwback to the ideals that molded this nation and drew so many of our grandparents to her shores. When we compare him to his immediate predecessors and successors, he is an anomaly. His worldview was inconsistent with that of the EHMs.

Reagan, on the other hand, was most definitely a global empire builder, a servant of the corporatocracy. At the time of his election, I found it fitting that he was a Hollywood actor, a man who had followed orders passed down from moguls, who knew how to take direction. That would be his signature. He would cater to the men who shuttled back and forth from corporate CEO offices to bank boards and into the halls of government. He would serve the men who appeared to serve him but who in fact ran the governmentmen like Vice President George H. W. Bush, Secretary of State George Shultz, Secretary of Defense Caspar Weinberger, Richard Cheney, Richard Helms, and Robert McNamara. He would advocate what those men wanted: an America that controlled the world and all its resources, a world that answered to the commands of that America, a U.S. military that would enforce the rules as they were written by America, and

an international trade and banking system that supported America as CEO of the global empire.

Early in 1981, the Roldós administration formally presented his new hydrocarbons law to the Ecuadorian Congress. If implemented, it would reform the country's relationship to oil companies. By many standards, it was considered revolutionary and even radical. It certainly aimed to change the way business was conducted. Its influence would stretch far beyond Ecuador, into much of Latin America and throughout the world.

The oil companies reacted predictably – they pulled out all the stops. Their public relations people went to work to vilify Jaime Roldós, and their lobbyists swept into Quito and Washington, briefcases full of threats and payoffs. They tried to paint the first democratically elected president of Ecuador in modern times as another Castro. But Roldós would not cave in to intimidation. He responded by denouncing the conspiracy between politics and oil-and religion. Although he offered no tangible proof, he openly accused the Summer Institute of Linguistics of colluding with the oil companies and then, in an extremely bold move, he ordered SIL [Summer Institute of Linguistics] out of the country.

Only weeks after sending his legislative package to Congress and a couple of days after expelling the SIL missionaries, Roldós warned all foreign interests, including but not limited to oil companies, that unless they implemented plans that would help Ecuador's people, they would be forced to leave his country. He delivered a major speech at the Atahualpa Olympic Stadium in Quito and then headed off to a small community in southern Ecuador.

He died there in a fiery airplane crash, on May 24, 1981.

The world was shocked. Latin Americans were outraged. Newspapers throughout the hemisphere blazed, "CIA Assassination!" In addition to the fact that Washington and the oil companies hated him, many circumstances appeared to support these allegations, and such suspicions were heightened as more facts became known. Nothing was ever proven, but eyewitnesses claimed that Roldós, forewarned about an attempt on his life, had taken precautions, including traveling in two airplanes. At the last moment, it was said, one of his security officers had convinced him to board the decoy airplane. It had blown up. Despite world reaction, the news hardly made the U.S. press.

Oswaldo Hurtado took over as Ecuador's president. Under his administration, the Summer Institute of Linguistics continued working in Ecuador, and SIL members were granted special visas. By the end of the year, he had launched an ambitious program to increase oil drilling by Texaco and other foreign companies in the Gulf of Guayaquil and the Amazon basin.

Omar Torrijos, in eulogizing Roldós, referred to him as "brother." He also confessed to having nightmares about his own assassination; he saw himself dropping from the sky in a gigantic fireball. It was prophetic.

## **The Panama Project, Part II**

I was stunned by Roldós's death, but perhaps I should not have been. I was anything but naive. I knew about Arbenz, Mossadegh, Allende – and about many other people whose names never made the newspapers or history books but whose lives were destroyed and sometimes cut short because they stood up to the corporatocracy. Nevertheless, I was shocked. It was just so very blatant.

I had concluded, after our phenomenal success in Saudi Arabia, that such wantonly overt actions were things of the past. I thought the jackals had been relegated to zoos. Now I saw that I was wrong. I had no doubt that Roldós's death had not been an accident. It had all the markings of a CIA-orchestrated assassination. I understood that it had been executed so blatantly in order to send a message. The new Reagan administration, complete with its fast-draw Hollywood cowboy image, was the ideal vehicle for delivering such a message. The jackals were back, and they wanted Omar Torrijos and everyone else who might consider joining an anti-corporatocracy crusade to know it.

But Torrijos was not buckling. Like Roldós, he refused to be intimidated. He, too, expelled the Summer Institute of Linguistics, and he adamantly refused to give in to the Reagan administration's demands to renegotiate the Canal Treaty.

Two months after Roldós's death, Omar Torrijos's nightmare came true; he died in a plane crash. It was July 31, 1981.

Latin America and the world reeled. Torrijos was known across the globe; he was respected as the man who had forced the United States to relinquish the Panama Canal to its rightful owners, and who continued to stand up to Ronald Reagan. He was a champion of human rights, the head of state who had opened his arms to refugees across the political spectrum, including the shah of Iran, a charismatic voice for social justice who, many believed, would be nominated for the Nobel Peace Prize. Now he was dead. "CIA Assassination!" once again headlined articles and editorials.

Graham Greene began his book *Getting to Know the General*, the one that grew out of the trip when I met him at the Hotel Panama, with the following paragraph:

In August 1981, my bag was packed for my fifth visit to Panama when the news came to me over the telephone of the death of General Omar Torrijos Herrera, my friend and host. The small plane in which he was flying to a house which he owned at Coclesito in the mountains of Panama had crashed, and there were no survivors. A few days later the voice of his security guard, Sergeant Chuchu, alias José de Jesús Martínez, ex-professor of Marxist philosophy at Panama University, professor of mathematics and a poet, told me, "There was a bomb in that plane. I know there was a bomb in the plane, but I can't tell you why over the telephone."

People everywhere mourned the death of this man who had earned a reputation as defender of the poor and defenseless, and they clamored for Washington to open investigations into CIA activities. However, this was not about to happen. There were men who hated Torrijos, and the list included people with immense power. From what I heard, he was considered a liability by President Reagan, Vice President Bush, Secretary of Defense Weinberger, and the Joint Chiefs of Staff, as well as by the CEOs of many powerful corporations.

The military chiefs were especially incensed by provisions in the Torrijos-Carter Treaty that forced them to close the School of the Americas and the U.S. Southern Command's tropical warfare center. The chiefs thus had a serious problem. Either they had to figure out some way to get around the new treaty, or they needed to find another country that would be willing to harbor these facilities-an unlikely prospect in the closing decades of the twentieth century. Of course, there was also another option: dispose of Torrijos and renegotiate the treaty with his successor.

Among Torrijos's corporate enemies were the huge multinationals. Most had close ties to U.S. politicians and were involved in exploiting Latin American labor forces and natural

resources-oil, lumber, tin, copper, bauxite, and agricultural lands. They included manufacturing firms, communications companies, shipping and transportation conglomerates, and engineering and other technologically oriented corporations.

The Bechtel Group, Inc., whose senior officers included George Shultz and Caspar Weinberger, was a prime example of the cozy relationship between private companies and the U.S. government. I knew Bechtel well; we at MAIN often worked closely with the company, and its chief architect became a close personal friend. Bechtel was the United States' most influential engineering and construction company. Many people in high positions at Bechtel despised Torrijos because he brazenly courted a Japanese plan to replace Panama's existing canal with a new, more efficient one. Such a move not only would transfer ownership from the United States to Panama but also would exclude Bechtel from participating in the most exciting and potentially lucrative engineering project of the century.

Torrijos stood up to these men, and he did so with grace, charm, and a wonderful sense of humor. Now he was dead, and he had been replaced by a protege, Manuel Noriega, a man who lacked Torrijos's wit, charisma, and intelligence, and a man who many suspected had no chance against the Reagans, Bushes, and Bechtels of the world.

I was personally devastated by the tragedy. I spent many hours reflecting on my conversations with Torrijos. Late one night, I sat for a long time staring at his photo in a magazine and recalling my first night in Panama, riding in a cab through the rain, stopping before his gigantic billboard picture. "Omar's ideal is freedom; the missile is not invented that can kill an ideal!" The memory of that inscription sent a shudder through me, even as it had on that stormy night.

I could not have known back then that Torrijos would collaborate with Carter to return the Panama Canal to the people who rightfully deserved to own it, or that this victory, along with his attempts to reconcile differences between Latin American Socialists and the dictators, would so infuriate the Reagan-Bush administration that it would seek to assassinate him, as testimony to Senate inquiries would later reveal. I could not have known that on another dark night he would be killed during a routine flight in his Twin Otter, or that most of the world outside the United States would have no doubt that Torrijos's death at the age of fifty-two was just one more in a series of CIA assassinations.

Had Torrijos lived, he undoubtedly would have sought to quell the growing violence that has plagued so many Central and South American nations. Based on his record, we can assume that he would have tried to work out an arrangement to mitigate international oil company destruction of the Amazon regions of Ecuador, Colombia, and Peru. One result of such action would be the alleviation of the terrible conflicts that Washington refers to as terrorist and drug wars, but which Torrijos would have seen as actions taken by desperate people to protect their families and homes. Most important, I feel certain that he would have served as a role model for a new generation of leaders in the Americas, Africa, and Asia – something the CIA, the NSA, and the EHMs could not allow.

## **The Iraq Project, Phase I**

Iraq was extremely important to us, much more important than was obvious on the surface. Contrary to common public opinion, Iraq is not simply about oil. It is also about water and geopolitics. Both the Tigris and Euphrates rivers flow through Iraq; thus, of all the countries in that part of the world, Iraq controls the most important sources of increasingly critical water resources. During

the 1980s, the importance of water – politically as well as economically – was becoming obvious to those of us in the energy and engineering fields. In the rush toward privatization, many of the major companies that had set their sights on taking over the small independent power companies now looked toward privatizing water systems in Africa, Latin America, and the Middle East.

In addition to oil and water, Iraq is situated in a very strategic location. It borders Iran, Kuwait, Saudi Arabia, Jordan, Syria, and Turkey, and it has a coastline on the Persian Gulf. It is within easy missile-striking distance of both Israel and the former Soviet Union. Military strategists equate modern Iraq to the Hudson River valley during the French and Indian War and the American Revolution. In the eighteenth century, the French, British, and Americans knew that whoever controlled the Hudson River valley controlled the continent. Today, it is common knowledge that whoever controls Iraq holds the key to controlling the Middle East.

Above all else, Iraq presented a vast market for American technology and engineering expertise. The fact that it sits atop one of the world's most extensive oil fields (by some estimates, even greater than Saudi Arabia's) assured that it was in a position to finance huge infrastructure and industrialization programs. All the major players – engineering and construction companies; computer systems suppliers; aircraft, missile, and tank manufacturers; and pharmaceutical and chemical companies – were focused on Iraq.

However, by the late 1980s it was apparent that Saddam was not buying into the EHM scenario. This was a major frustration and a great embarrassment to the first Bush administration. Like Panama, Iraq contributed to George H. W. Bush's wimp image. As Bush searched for a way out, Saddam played into his hands. In August 1990, he invaded the oil-rich sheikhdom of Kuwait.

Bush responded with a denunciation of Saddam for violating international law, even though it had been less than a year since Bush himself had staged the illegal and unilateral invasion of Panama.

It was no surprise when the president finally ordered an all-out military attack. Five hundred thousand U.S. troops were sent in as part of an international force. During the early months of 1991, an aerial assault was launched against Iraqi military and civilian targets. It was followed by a one hundred-hour land assault that routed the outgunned and desperately inferior Iraqi army. Kuwait was safe. A true despot had been chastised, though not brought to justice. Bush's popularity ratings soared to 90 percent among the American people.

## **The Venezuela Project**

Beneath the patriotic rhetoric and the calls for action, however, I believe a much more subtle transformation was occurring in the way U.S. commercial interests – and therefore most of the people who worked for American corporations – viewed the world. The march toward global empire had become a reality in which much of the country participated. The dual ideas of globalization and privatization were making significant inroads into our psyches.

If Mr. Reich and the Bush administration were celebrating the coup against Chávez, the party was suddenly cut short. In an amazing turnabout, Chávez regained the upper hand and was back in power less than seventy-two hours later. Unlike Mossadegh in Iran, Chávez had managed to keep the military on his side, despite all attempts to turn its highest-ranking officers against him. In addition, he had the powerful state oil company on his side. Petróleos de Venezuela defied the thousands of striking workers and made a comeback.

Once the dust cleared, Chávez tightened his government's grip on oil company employees, purged the military of the few disloyal officers who had been persuaded to betray him, and forced many of his key opponents out of the country. He demanded twenty-year prison terms for two prominent opposition leaders, Washington-connected operatives who had directed the nationwide strike.

In the final analysis, the entire sequence of events was a calamity for the Bush administration. As the *Los Angeles Times* reported,

Bush administration officials acknowledged Tuesday that they had discussed the removal of Venezuelan President Hugo Chávez for months with military and civilian leaders from Venezuela ... The administration's handling of the abortive coup has come under increasing scrutiny.

It was obvious that not only had the EHMs failed, but so had the jackals. Venezuela in 2003 turned out to be very different from Iran in 1953. I wondered if this was a harbinger or simply an anomaly – and what Washington would do next.

At least for the time being, I believe a serious crisis was averted in Venezuela – and Chávez was saved – by Saddam Hussein. The Bush administration could not take on Afghanistan, Iraq, and Venezuela all at once. At the moment, it had neither the military muscle nor the political support to do so. I knew, however, that such circumstances could change quickly, and that President Chávez was likely to face fierce opposition in the near future. Nonetheless, Venezuela was a reminder that not much had changed in fifty years – except the outcome.

## **The Ecuador Project, Part II**

In the years since I first went there, in 1968, this tiny country had evolved into the quintessential victim of the corporatocracy. My contemporaries and I, and our modern corporate equivalents, had managed to bring it to virtual bankruptcy. We loaned it billions of dollars so it could hire our engineering and construction firms to build projects that would help its richest families. As a result, in those three decades, the official poverty level grew from 50 to 70 percent, under- or unemployment increased from 15 to 70 percent, public debt increased from \$240 million to \$16 billion, and the share of national resources allocated to the poorest citizens declined from 20 percent to 6 percent. Today, Ecuador must devote nearly 50 percent of its national budget simply to paying off its debts – instead of to helping the millions of its citizens who are officially classified as dangerously impoverished.

The situation in Ecuador clearly demonstrates that this was not the result of a conspiracy; it was a process that had occurred during both Democratic and Republican administrations, a process that had involved all the major multinational banks, many corporations, and foreign aid missions from a multitude of countries. The United States played the lead role, but we had not acted alone.

During those three decades, thousands of men and women participated in bringing Ecuador to the tenuous position it found itself in at the beginning of the millennium. Some of them, like me, had been aware of what they were doing, but the vast majority had merely performed the tasks they had been taught in business, engineering, and law schools, or had followed the lead of bosses in my mold, who demonstrated the system by their own greedy example and through rewards and punishments calculated to perpetuate it. Such participants saw the parts they played as

benign, at worst; in the most optimistic view, they were helping an impoverished nation.

Although unconscious, deceived, and – in many cases – self-deluded, these players were not members of any clandestine conspiracy; rather, they were the product of a system that promotes the most subtle and effective form of imperialism the world has ever witnessed. No one had to go out and seek men and women who could be bribed or threatened – they had already been recruited by companies, banks, and government agencies. The bribes consisted of salaries, bonuses, pensions, and insurance policies; the threats were based on social mores, peer pressure, and unspoken questions about the future of their children's education.

The system had succeeded spectacularly. By the time the new millennium rolled in, Ecuador was thoroughly entrapped. We had her, just as a Mafia don has the man whose daughter's wedding and small business he has financed and then refinanced. Like any good Mafiosi, we had taken our time. We could afford to be patient, knowing that beneath Ecuador's rain forests lies a sea of oil, knowing that the proper day would come.

That day had already arrived when, in early 2003, I wound my way from Quito to the jungle town of Shell in my Subaru Outback. Chávez had reestablished himself in Venezuela. He had defied George W. Bush and had won. Saddam was standing his ground and was preparing to be invaded. Oil supplies were depleted to their lowest level in nearly three decades, and the prospects of taking more from our prime sources looked bleak – and therefore, so did the health of the corporatocracy's balance sheets. We needed an ace in the hole. It was time to cut away our Ecuadorian pound of flesh.

As I drove past the monster dam on the Pastaza River, I realized that here in Ecuador the battle was not simply the classic struggle between the rich of the world and the impoverished, between those who exploit and the exploited. These battle lines would ultimately define who we are as a civilization. We were poised to force this tiny country to open its Amazon rain forests to our oil companies. The devastation that would result was immeasurable.

If we insisted on collecting the debt, the repercussions would go far beyond our abilities to quantify them. It was not just about the destruction of indigenous cultures, human lives, and hundreds of thousands of species of animals, reptiles, fish, insects, and plants, some of which might contain the undiscovered cures to any number of diseases. It was not just that rain forests absorb the deadly greenhouse gases produced by our industries, give off the oxygen that is essential to our lives, and seed the clouds that ultimately create a large percentage of the world's fresh water. It went beyond all the standard arguments made by ecologists for saving such places, and reached deep into our souls.

If we pursued this strategy, we would continue an imperialist pattern that had begun long before the Roman Empire. We decry slavery, but our global empire enslaves more people than the Romans and all the other colonial powers before us. I wondered how we could execute such a shortsighted policy in Ecuador and still live with our collective conscience.

Peering through the window of the Subaru at the deforested slopes of the Andes, an area that during my Peace Corps days had been lush with tropical growth, I was suddenly surprised by another realization. It dawned on me that this view of Ecuador as a significant battle line was purely personal, that in fact every country where I had worked, every country with resources coveted by the empire, was equally significant. I had my own attachment to this one, which stemmed from those days back in

the late 1960s when I lost my innocence here. However, it was subjective, my personal bias.

Though the Ecuadorian rain forests are precious, as are the indigenous people and all the other life forms that inhabit them, they are no more precious than the deserts of Iran and the Bedouins of Yamin's heritage. No more precious than the mountains of Java, the seas off the coast of the Philippines, the steppes of Asia, the savannas of Africa, the forests of North America, the icecaps of the Arctic, or hundreds of other threatened places. Every one of these represents a battle line, and every one of them forces us to search the depths of our individual and collective souls.

I was reminded of a statistic that sums it all up: The income ratio of the one-fifth of the world's population in the wealthiest countries to the one-fifth in the poorest countries went from 30 to 1 in 1960 to 74 to 1 in 1995. And the World Bank, the U.S. Agency for International Development, the IMF, and the rest of the banks, corporations, and governments involved in international "aid" continue to tell us that they are doing their jobs, that progress has been made.

So here I was in Ecuador again, in the country that was just one of many battle lines but that holds a special place in my heart. It was 2003, thirty-five years after I had first arrived as a member of a U.S. organization that bears the word *peace* in its name. This time, I had come in order to try to prevent a war that for three decades I had helped to provoke.

It would seem that events in Afghanistan, Iraq, and Venezuela might be enough to deter us from another conflict; yet, in Ecuador the situation was very different. This war would not require the U.S. Army, for it would be fought by a few thousand indigenous warriors equipped only with spears, machetes, and single-shot,

muzzle-loaded rifles. They would face off against a modern Ecuadorian army, a handful of U.S. Special Forces advisers, and jackal-trained mercenaries hired by the oil companies. This would be a war, like the 1995 conflict between Ecuador and Peru, that most people in the United States would never hear about, and recent events had escalated the probability of such a war.

In December 2002, oil company representatives accused an indigenous community of taking a team of its workers hostage; they suggested that the warriors involved were members of a terrorist group, with implications of possible ties to al-Qaeda. It was an issue made especially complicated because the oil company had not received government permission to begin drilling. However, the company claimed its workers had the right to perform preliminary, nondrilling investigations – a claim vehemently disputed by the indigenous groups a few days later, when they shared their side of the story.

"The timing of the soldiers couldn't have been worse," a woman explained. I felt her pain and that of her companions as they told their tragic stories about how the soldiers ignored the prohibitions. They shot down the birds for sport and for food. In addition, they raided family gardens, banana groves, and manioc fields, often irreparably destroying the sparse topsoil. They used explosives in the rivers for fishing, and they ate family pets. They confiscated the local hunters' guns and blowguns, dug improper latrines, polluted the rivers with fuel oil and solvents, sexually molested women, and neglected to properly dispose of garbage, which attracted insects and vermin.

Driving out of Shell, back past the hydroelectric dam and high into the Andes, I kept thinking about the difference between what I had seen and heard during this visit to Ecuador and what I had become accustomed to in the United States. It seemed that Amazonian tribes had a great deal to teach us, that despite all our

schooling and our many hours reading magazines and watching television news, we lacked an awareness they had somehow found. This line of thinking made me think of "The Prophecy of the Condor and Eagle," which I have heard many times throughout Latin America, and of similar prophecies I have encountered around the world.

Nearly every culture I know prophesies that in the late 1990s we entered a period of remarkable transition. At monasteries in the Himalayas, ceremonial sites in Indonesia, and indigenous reservations in North America, from the depths of the Amazon to the peaks of the Andes and into the ancient Mayan cities of Central America, I have heard that ours is a special moment in human history, and that each of us was born at this time because we have a mission to accomplish.

The titles and words of the prophecies differ slightly. They tell variously of a New Age, the Third Millennium, the Age of Aquarius, the Beginning of the Fifth Sun, or the end of old calendars and the commencement of new ones. Despite the varying terminologies, however, they have a great deal in common, and "The Prophecy of the Condor and Eagle" is typical. It states that back in the mists of history, human societies divided and took two different paths: that of the condor (representing the heart, intuitive and mystical) and that of the eagle (representing the brain, rational and material). In the 1490s, the prophecy said, the two paths would converge and the eagle would drive the condor to the verge of extinction. Then, five hundred years later, in the 1990s, a new epoch would begin, one in which the condor and eagle will have the opportunity to reunite and fly together in the same sky, along the same path. If the condor and eagle accept this opportunity, they will create a most remarkable offspring, unlike any ever seen before.

"The Prophecy of the Condor and Eagle" can be taken at many levels – the standard interpretation is that it foretells the sharing of indigenous knowledge with the technologies of science, the balancing of yin and yang, and the bridging of northern and southern cultures. However, most powerful is the message it offers about consciousness; it says that we have entered a time when we can benefit from the many diverse ways of seeing ourselves and the world, and that we can use these as a springboard to higher levels of awareness. As human beings, we can truly wake up and evolve into a more conscious species.

The condor people of the Amazon make it seem so obvious that if we are to address questions about the nature of what it is to be human in this new millennium, and about our commitment to evaluating our intentions for the next several decades, then we need to open our eyes and see the consequences of our actions – the actions of the eagle – in places like Iraq and Ecuador. We must shake ourselves awake. We who live in the most powerful nation history has ever known must stop worrying so much about the outcome of soap operas, football games, quarterly balance sheets, and the daily Dow Jones averages, and must instead reevaluate who we are and where we want our children to end up. The alternative to stopping to ask ourselves the important questions is simply too dangerous.

### **The Iraq Project, Phase II: Economic Hit Men, then Jackals, then Soldiers**

Shortly after I returned home from Ecuador in 2003, the United States invaded Iraq for the second time in a little over a decade. The EHMs had failed. The jackals had failed. So young men and women were sent to kill and die among the desert sands. One important question the invasion raised, but one that I figured few Americans would be in a position to consider, was what this would

mean for the royal House of Saud. If the United States took over Iraq, which according to many estimates has more oil than Saudi Arabia, there would seem to be little need to continue honoring the pact we struck with the Saudi royal family in the 1970s, the deal that originated with the Saudi Arabian Money-laundering Affair.

The end of Saddam, like the end of Noriega in Panama, would change the formula. In the case of Panama, once we had reinstated our puppets, we controlled the Canal, regardless of the terms of the treaty Torrijos and Carter had negotiated. Once we controlled Iraq, then, could we break OPEC? Would the Saudi royal family become irrelevant in the arena of global oil politics? A few pundits were already questioning why Bush attacked Iraq rather than funneling all of our resources into pursuing alQaeda in Afghanistan. Could it be that from the point of view of this administration – this oil family – establishing oil supplies, as well as a justification for construction contracts, was more important than fighting terrorists?

### **The Role of U.S. Unbacked Paper Money**

There also was another possible outcome, however; OPEC might attempt to reassert itself. If the United States took control of Iraq, the other petroleum-rich countries might have little to lose by raising oil prices and/or reducing supplies. This possibility tied in with another scenario, one with implications that would likely occur to few people outside the world of higher international finance, yet which could tip the scales of the geopolitical balance and ultimately bring down the system the corporatocracy had worked so hard to construct. It could, in fact, turn out to be the single factor that would cause history's first truly global empire to self-destruct.

In the final analysis, the global empire depends to a large extent on the fact that the dollar acts as the standard world currency, and that the United States Mint has the right to print those dollars. Thus, we make loans to countries like Ecuador with the full knowledge that they will never repay them; in fact, we do not want them to honor their debts, since the nonpayment is what gives us our leverage, our pound of flesh. Under normal conditions, we would run the risk of eventually decimating our own funds; after all, no creditor can afford too many defaulted loans. However, ours are not normal circumstances. The United States prints currency that is not backed by gold. Indeed, it is not backed by anything other than a general worldwide confidence in our economy and our ability to marshal the forces and resources of the empire we have created to support us.

The ability to print currency gives us immense power. It means, among other things, that we can continue to make loans that will never be repaid – and that we ourselves can accumulate huge debts. By the beginning of 2003, the United States' national debt exceeded a staggering \$6 trillion and was projected to reach \$7 trillion before the end of the year – roughly \$24,000 for each U.S. citizen. Much of this debt is owed to Asian countries, particularly to Japan and China, who purchase U.S. Treasury securities (essentially, IOUs) with funds accumulated through sales of consumer goods – including electronics, computers, automobiles, appliances, and clothing goods-to the United States and the worldwide market.

As long as the world accepts the dollar as its standard currency, this excessive debt does not pose a serious obstacle to the corporatocracy. However, if another currency should come along to replace the dollar, and if some of the United States' creditors (Japan or China, for example) should decide to call in their debts, the situation would change drastically. The United States would suddenly find itself in a most precarious situation.

In fact, today the existence of such a currency is no longer hypothetical; the euro entered the international financial scene on January 1, 2002 and is growing in prestige and power with every passing month. The euro offers an unusual opportunity for OPEC, if it chooses to retaliate for the Iraq invasion, or if for any other reason it decides to flex its muscles against the United States. A decision by OPEC to substitute the euro for the dollar as its standard currency would shake the empire to its very foundations. If that were to happen, and if one or two major creditors were to demand that we repay our debts in euros, the impact would be enormous.

### **Achieving the Goal of Contracts for U.S. Firms**

I had these things on my mind on the morning of Good Friday, April 18, 2003, as I walked the short distance from my house to the converted garage that serves as my office, sat down at the desk, turned on the computer, and as usual, went to the *New York Times* web site. The headline leaped out at me; it immediately transported me from my thoughts about the new realities of international finance, the national debt, and euros back to that of my old profession: "U.S. Gives Bechtel a Major Contract in Rebuilding Iraq."

The article stated, "The Bush administration awarded the Bechtel Group of San Francisco the first major contract today in a vast reconstruction plan for Iraq." Farther down the page, the authors informed readers that "The Iraqis will then work with the World Bank and the International Monetary Fund, institutions in which the United States enjoys wide influence, to reshape the country."

Wide influence! There was an understatement.

I linked to another *Times* article, "Company Has Ties in Washington, and to Iraq." I skipped through the first several paragraphs, which repeated much of the information from the previous article, and came to:

Bechtel has longstanding ties to the national security establishment ... One director is George P. Shultz, who was secretary of state under President Ronald Reagan. Before joining the Reagan administration, Mr. Shultz, who also serves as a senior counselor to Bechtel, was the company's president, working alongside Caspar W. Weinberger, who served as an executive at the San Francisco-based company before his appointment as defense secretary. This year, President Bush appointed Bechtel's chief executive, Riley P. Bechtel, to serve on the President's Export Council.

Here in these articles was the story of modern history, the drive to global empire, in a nutshell. What was going on in Iraq and described in the morning press was the result of the work Claudine had trained me to do some thirty-five years before, and of the work of other men and women who shared a lust for self-aggrandizement not unlike the one I had known. It marked the current point of the corporatocracy's progress along the road to bringing every person in the world under its influence.

These articles were about the 2003 invasion of Iraq and about the contracts now being signed, both to rebuild that country from the wreckage created by our military and to build anew in the mold of the modern, Westernized model. Yet, without saying so, the news of April 18, 2003, also harked back to the early 1970s and the Saudi Arabian Money-laundering Affair. SAMA and the contracts flowing out of it had established new and irrevocable precedents that allowed – indeed mandated – U.S. engineering and construction companies and the petroleum industry to co-opt the development of a desert kingdom. In the same mighty blow,

SAMA established new rules for the global management of petroleum, redefined geopolitics, and forged with the Saudi royal family an alliance that would ensure their hegemony as well as their commitment to playing by our rules.

As I read those articles, I could not help but wonder how many other people knew, as I did, that Saddam would still be in charge if he had played the game as the Saudis had. He would have his missiles and chemical plants; we would have built them for him, and our people would be in charge of upgrading and servicing them. It would be a very sweet deal – even as Saudi Arabia had been. [As I write this, on December 29, 2006, Saddam Hussein's execution by hanging is underway.]

Until now, the mainstream media had been careful not to publicize this story. But today, here it was. True, it was a mere inkling; the articles were only the meekest ghosts of a summary, yet the story seemed to be emerging. Wondering if the *New York Times* was taking a maverick stance, I visited the CNN Web site and read, "Bechtel Wins Iraq Contract." The CNN story was very similar to the one in the *Times*, except it added,

Several other companies have at various times been reported as possible competitors for the job, either as primary bidders or as parts of teams, including the Kellogg Brown & Root (KBR) unit of Halliburton Co. of which Vice President Dick Cheney once was CEO ...[Already] Halliburton has won a contract, which could be worth \$7 billion and could last up to two years, to make emergency repairs to Iraq's oil infrastructure.

The story of the march to global empire did indeed appear to be leaking out. Not the details, not the fact that it was a tragic story of debt, deception, enslavement, exploitation, and the most blatant grab in history for the hearts, minds, souls, and resources of people around the world. Nothing in these articles hinted that the

story of Iraq in 2003 was the continuation of a shameful story. Nor did they disclose that this story, as old as empire, has now taken on new and terrifying dimensions, both because of its magnitude during this time of globalization and because of the subtlety with which it is executed. Despite its shortfalls, however, the story did appear to be leaking out, almost reluctantly.

The idea of the reluctant story, leaking out, hit very close to home. It reminded me of my own personal story and of the many years I had postponed telling it. I had known for a very long time that I had a confession to make; still, I postponed making it. Thinking back, I see that my doubts, the whisperings of guilt, were there from the beginning. They had started in Claudine's apartment, even before I made the commitment to go to Indonesia on that first trip, and they had haunted me almost incessantly all these years.

I also knew that had the doubts, the pain, and the guilt not constantly nagged me, I would never have gotten out. Like so many others, I would have been stuck. I would not have stood on a beach in the Virgin Islands and decided to quit MAIN. Yet, I was still deferring, just as we as a culture continue to defer.

### **The Goal of the West: Global Domination by the Wealthy Elite**

These headlines seemed to hint at the alliance between big corporations, international banks, and governments, but like my MAIN résumé, the stories barely touched the surface. It was a gloss. The real story had little to do with the fact that the major engineering and construction firms were once again receiving billions of dollars to develop a country in our image – among a people who in all likelihood had no desire to reflect that image – or that an elite band of men was repeating an age-old ritual of abusing the privileges of their high government positions.

That picture is just too simple. It implies that all we need to do, if we decide to right the wrongs of the system, is to throw these men out. It feeds into the conspiracy theories and thereby provides a convenient excuse to turn on the TV and forget about it all, comfortable in our third-grade view of history, which runs: "They" will take care of it; the ship of state is seaworthy and will get nudged back on course. We may have to wait for the next election, but all will turn out for the best.

The real story of modern empire – of the corporatocracy that exploits desperate people and is executing history's most brutal, selfish, and ultimately self-destructive resource-grab – has little to do with what was exposed in the newspapers that morning and has everything to do with us. And that, of course, explains why we have such difficulty listening to the real story. We prefer to believe the myth that thousands of years of human social evolution has finally perfected the ideal economic system, rather than to face the fact we have merely bought into a false concept and accepted it as gospel. We have convinced ourselves that all economic growth benefits humankind, and that the greater the growth, the more widespread the benefits. Finally, we have persuaded one another that the corollary to this concept is valid and morally just: that people who excel at stoking the fires of economic growth should be exalted and rewarded, while those born at the fringes are available for exploitation.

This concept and its corollary are used to justify all manner of piracy – licenses are granted to rape and pillage and murder innocent people in Iran, Panama, Colombia, Iraq, and elsewhere. EHMs, jackals, and armies flourish for as long as their activities can be shown to generate economic growth – and they almost always demonstrate such growth. Thanks to the biased "sciences" of forecasting, econometrics, and statistics, if you

bomb a city and then rebuild it, the data shows a huge spike in economic growth.

The real story is that we are living a lie. Like my MAIN résumé, we have created a veneer that hides the fatal cancers beneath the surface. Those cancers are exposed by the X-rays of our statistics, which disclose the terrifying fact that history's most powerful and wealthiest empire has outrageously high rates of suicide, drug abuse, divorce, child molestation, rape, and murder, and that like a malignant cancer, these afflictions spread their tentacles in an ever-widening radius every year. In our hearts, each of us feels the pain. We cry out for change. Yet, we slam our fists to our mouths, stifling those cries, and so we go unheard.

It would be great if we could just blame it all on a, conspiracy, but we cannot. The empire depends on the efficacy of big banks, corporations, and governments – the corporatocracy – but it is not a conspiracy. This corporatocracy is ourselves – we make it happen – which, of course, is why most of us find it difficult to stand up and oppose it. We would rather glimpse conspirators lurking in the shadows, because most of us work for one of those banks, corporations, or governments, or in some way are dependent on them for the goods and services they produce and market. We cannot bring ourselves to bite the hand of the master who feeds us.

[End of excerpts from Perkins' book.]

## **Current Happenings in Ecuador**

At the end of his book, Perkins suggests a number of things that might be done to improve the situation. He has a website, <http://www.johnperkins.org>, on which he presents information related to this and other books that he has written. Relative to

Ecuador, where Perkins served in the Peace Corps as a young man, he has posted an excerpt from Greg Palast's new book, *Armed Madhouse* (Dutton, 2006; see also Palast's website, <http://www.gregpalast.com> ).

In April 2005, I was in the Andes Mountains, standing on the Equator, when a condor flew over and dropped a document into my hand marked, "FOR OFFICIAL USE ONLY."

There were other warnings. The document's contents "may not be disclosed" without authorization of the World Bank. In light of the Bank's concern, please do not look at the document at [http://gregpalast.com/armedmadhouse/TheNetwork\\_5.tiff](http://gregpalast.com/armedmadhouse/TheNetwork_5.tiff) .

In that part of the world that hangs down perilously from Texas, Latin America, Mother Nature has stocked these nations with a wealth of resources from gold to oil to cropland to hydropower, creating an El Dorado richer than any in the most extravagant dreams of the conquistadors. Yet 132 million South Americans live on less than \$2 a day; and just a couple of years ago you could find schoolteachers in Buenos Aires hunting through garbage cans for dinner. Why? Because one resource was mined from their land until it was exhausted: capital.

I admit, I made up the bit about the condor. But I really did stand on the Equator (a goofy, but obligatory, tourist stop for travelers to Ecuador) reading through a confidential document slipped to me by unhappy employees of the World Bank.

At the Ciudad Centro del Mundo, the City at the Center of the World, loudspeakers on poles scratch out some Inca-cum-New Age music while underdressed kids squat in the dirt selling gum. These great-great-grandchildren of the Inca have no water except what they can carry in jugs up hills. The national treasury cannot

afford the \$5 million for vaccinations the United Nations says these children must have.

However, their parents have been hit with electric bills of \$30 to \$60 a month. The bills are based on a price per kilowatt-hour that is twice the average paid by consumers in the U.S. That's one of the conditions dictated by the World Bank in the confidential agreement between Ecuador and the Bank. That's quite a price to pay in a nation where only a minority of the population earns the "minimum" wage of \$153 a month. That's \$153 a month U.S. money, and most items cost what they cost in the U.S. Try it out yourself for a month.

Why, in a nation so painfully poor, is the World Bank, an agency founded after World War II to help the helpless, requiring this nation to sock it to electricity customers? The answer: "Electro-dollars." Electric utilities are marvelous cash cows. The costly systems are built with consumer and government funds, then "privatized" at pennies on the dollar. Electricity, water, and gas customers are hostages to the monopoly. To avoid the companies charging ransom instead of a fair price, these "natural" monopolies as economists called them, used to be regulated worldwide. Prices were set to match costs plus a strictly limited profit. No more.

Here's the secret condition set by the bank on Ecuador. If you want to see how the brave new globalization order works, forget code writers in India and iPods smaller than your pinky. This is what it's all about:

"The Borrower's [Ecuador's] Electricity Council has issued tariffs [that means 'set prices']...at the longer marginal cost of electricity generation, transmission and distribution calculated using a methodology acceptable to the Bank."

Let me translate from the Techno-Croatian. Charging at “cost” sounds fine. But “cost” and “marginal cost” are two different animals, especially by the “methodology acceptable to the bank.” The cost of producing electricity is cheap in Ecuador – they have water falling right down the Andes for hydropower. But the “marginal cost” is based on the world price of oil and gas – way, way above actual costs. In effect, the Quechua families in Quito slums will be whacked with a light bill based on the price of oil set by OPEC.

And that’s not all.

The Bank also required Ecuador to raise prices on basic foods. What is behind such devastating cruelty – forcing Ecuadorians to choose between lights and food? Always ask, *qui bono?* who benefits?

Ecuador’s bondholders in Miami, for sure. But first and foremost, the privatized electric companies. Who are these guys? There’s Duke Energy (of the Carolinas), founded decades ago by cigarette magnate James Buchanan Duke, which owns 51.5% of “Electroquil,” which, in 2004, demanded \$30 million in back payments from the public. Duke’s pathway into Ecuador’s pocketbooks was paved for them by the owners of “Emelec,” the Spanish acronym for its old name, American Foreign Power and Electric Corporation. It was taken over by one of Ecuador’s richest men, also the owner of one of Ecuador’s big banks whose assets, the deposits of half a million customers, just seemed to evaporate.

In 1999, that tycoon, Fernando Aspiazu, siphoned his Emelec shares out of his bank and dumped them into a Bahamas shell company to keep it out of government hands just before the police raided and seized the bank (and arrested Aspiazu, later jailed).

Aspiazu put a couple of front men in charge of selling the Emelec assets – now the government’s claimed property – and sought Uncle Sam’s political help. But Emelec was an Ecuadoran-Bahamian fugitive property by then, none of the business of the United States. So the Bahamas shell obtained U.S. corporate citizenship through a tried and true route: The company’s operators hired Henry Kissinger’s lobbying firm, Kissinger McLarty Associates. The “McLarty” in this power duo is Mack McLarty, former Clinton chief of staff. The concerns of the Bahamian Kissinger-Americans suddenly became a crucial foreign policy concern of the U.S. Secretary of State Madeleine Albright, who personally put the screws to the president of Ecuador to get Emelec’s complaints “resolved.”

In sum, the huge difference between electricity cost and price is a windfall for foreign owners, a windfall sucked right out of the Andes and sent straight to New York or to the Bahamas, or sometimes, simply pumped up the hill to the huge homes commanding the best views of Quito.

How that windfall is obtained is not always nice and rarely public. The World Bank, in its secret agreement with Ecuador, made sure the prices stayed sky high. Electro-dollars: one of the ways to squeeze dollar blood from the South American stone.

That was Margaret Thatcher’s formula. If you want to seize a nation’s economy, grab it by its light bulbs. She used the terminology of military conquest, “seize the commanding heights,” to describe the sale of public utility systems. “Privatize” and “deregulate” public services, starting with electricity, telephone and water systems, and the rest of the economy will soon be forced to adopt the free-market nostrums of “supply-side” economics. If the nation doesn’t come along willingly, the World Bank, holding the nation’s access to credit markets in its hands,

will impose a “methodology” for pricing and privatization “acceptable to the Bank” and its stockholders.

The World Bank and IMF also required Ecuador to throw away its own currency and replace it with U.S. dollars. Those \$60 electric bills, for example, must be paid by Quito residents in U.S. currency. As a result, Ecuador must borrow and pay interest on the U.S. dollar bills sitting in every Ecuadoran’s wallet.

When Ecuador’s currency was “dollarized,” the wealthy took their crisp new bills with Alexander Hamilton on them and sent them, literally, to Miami. Ecuador’s banks, like Mr. Aspiazu’s, with their dollar reserves missing and stashed in the USA, collapsed. The IMF demanded the nation’s treasury bail out the banks’ private shareholders. That added a huge new debt to be paid by all Ecuadorans.

But Ecuador can afford it. Ecuador is rich. The vast nation of only thirteen million citizens sits on a pool of oil worth a quarter trillion dollars. [Note for later reference: On a per-capita basis, this is comparable to East Timor’s oil wealth:  $USD250,000,000,000/13,000,000 = USD 19,230$  for Ecuador, vs.  $USD16,000,000,000/1,000,000 = USD16,000$  for East Timor.] The solution is painfully obvious: Let Ecuadorans keep their oil wealth, at least enough to keep the lights on and pay for their children’s vaccines.

But that solution runs smack up against paragraph III-1 of the World Bank’s confidential plan, the “Structural Adjustment Program for Ecuador.”

New oil wealth from a new oil pipeline will be spent per World Bank orders as follows:

"...10% to social spending; 20% for contingencies; and 70% to debt buybacks, not for regularly scheduled budgeted amortizations."

How generous: Ecuador gets to keep 10%. "Social spending" by the way, means schools and medicine. The codicil says the big bucks, 70% of its new oil wealth, will go to bondholders to buy back their bonds. (These payments are over and above interest payments.) Another 20% will go into an "oil stabilization fund" – that is, another reserve for the bondholders.

The bonds are held by speculators who, in most cases, purchased them for twenty cents on the dollar. The IMF plan calls for expediting payment at five times what these speculators paid for the bonds, a swift, neat 500% return. Who are these guys collecting the windfall? Who is squeezing Ecuador by the bonds? The nation's President says, "The tragedy is that we don't know who owns the bonds."

The greater tragedy is that, according to a U.N. official I spoke with, the bonds are held by the same crew in Miami that bled the nation's banks dry.

The terms imposed by the IMF for new financing would make a loan shark blanch. Electricity prices would rise, as well as charges for cooking gas. And Ecuador would agree to open its delicate jungle areas to oil drilling by Chevron Oil, the company that named a tanker after a corporate board member, Condoleezza.

I had traveled to Quito to meet with the President, Alfredo Palacio, to discuss with him the confidential IMF terms. That was not easy. First, an aide to the President told me the U.S. State Department had warned Palacio against meeting with me. (It's comforting to know that someone in the Bush Administration is reading my reports.)

Second, Palacio had taken office only days before, on April 20, when his predecessor disappeared out the back door of the Carondelet Palace to seek asylum in Brazil. Then-President Lucio Gutierrez was fleeing a crowd of one hundred thousand protesters, angry and hungry Quechua Indians from the hills, seeking his arrest.

“Sucio Lucio” (Dirty Lucio, a nickname I believe even his mother uses) had won election in 2002 promising to break away from the supposedly “voluntary” austerity plan imposed by the World Bank. Within a month of taking office, Gutierrez flew to Washington, held hands with George Bush (a photo now infamous in Quito) and received instruction from U.S. Treasury officials in the financial facts of life. Lucio returned to Quito, reneged on his campaign promises and acceded to every demand of the IMF to raise prices of basic necessities and cut services, from hospitals to schools. The public, after a dispirited three-year delay, revolted. Sucio fled and his Vice President, Palacio, was sworn in.

On April 25, 2005, when I arrived at the Presidential Palace, crowds were still there, chanting their suspicions that the new President would follow Sucio Lucio’s path.

See

<http://gregpalast.com/images/Ecuador/GPOutsidePalaceQuito.jpg>

But Palacio saw no reason to adopt the extreme free-market path to economic asphyxiation. At his inauguration, Palacio suggested that Ecuador might keep a little of its oil wealth for health and education needs.

That's not what the Bush Administration wanted to hear. Secretary of State Condi Rice fired a diplomatic cruise missile, calling for new elections to get Palacio out of the way.

President Palacio seems an unlikely target of U.S. official assaults. He comes off like a cardiologist you'd meet at an AMA convention. That is, in fact, what he is: a heart doctor who practiced in the USA for a decade. Affiliated with no political party, he was brought into the government to build a national health program.

Palacio is soft-spoken, conservative in his views and pro-American – but his patient, his nation, is ill from diving into an extreme form of free-market globalization ordered by the World Bank.

He just wanted to keep a few petrodollars for the vaccines and general welfare. "Sick people," he told me, "are not going to produce anything."

I showed him the World Bank confidential agreement signed by his predecessor. He was obviously familiar with the terms. "If we pay that amount of debt," he told me, "we're dead. We have to survive."

He was quite certain that Condi Rice, the World Bank and the foreign bondholders would listen to simple medical logic. "If we die, who is going to pay them?" But they didn't listen. Getting off the petrodollar cycle, or at least slowing it down, is not so easy. Just by Palacio's suggesting he might redirect some oil money, within weeks of Paul Wolfowitz taking over the World Bank, Ecuador was cut off by both the Bank and IMF. Ecuador's bonds were facing a boycott.

Then, when hope seemed lost, in August 2005, a dark stranger rode into Ecuador, wrote a check for \$200 million to buy up Ecuador's bonds and restore the nation's credit. The Stranger from Caracas also brought along two million barrels of crude oil, diesel fuel and naphtha to keep the nation moving. Then he rode on to Argentina with a check for nearly a billion dollars to bail out that nation's bonds.

Who is this guy, a mini-IMF unto himself, breaking the cycle of ebb and flow?

The answer is in the chapter, "The Assassination of Hugo Chávez," in Palast's new book, *Armed Madhouse*.

<http://www.gregpalast.com/> .

[End of Palast excerpt.]

## **The East Timor Project**

East Timor, currently the world's youngest nation, is very undeveloped but has access to massive oil reserves. It is estimated that the oil lying beneath the Timor Sea (between East Timor and Australia) is worth 16 billion US dollars. As noted above, this is comparable to the amount of oil in Ecuador, on a per-capita basis. This oil will be recovered in a joint project with Australia.

Foreign governments are very interested in having access to East Timor's oil. The US has built a massive embassy in Dili, the capital. Japan has also done so.

East Timor was a Portuguese colony for about 400 years. In 1974, Portugal unilaterally abandoned all of its overseas colonies, including East Timor. Indonesia promptly invaded. After a bloody

guerilla war lasting a quarter of a century, East Timor regained its independence and was established as an independent nation in 2003.

The US and international development agencies have launched an ambitious program to “develop” East Timor. The program is very much along the lines of the Ecuador program. East Timor was recently offered massive loans from the World Bank, which it wisely refused. The next step in the program will be for the Western nations to convince East Timor to spend all of its “petrodollars” on infrastructure development.

The process is well under way. In 2005, the per capita income of East Timor was USD354, according to the US State Department (*Background Notes on East Timor*, December 2006). The population of East Timor is not known with much accuracy, and has fluctuated considerably in recent years because of war deaths and mass population shifts to and from Indonesia. While the population is not known with a high degree of certainty, what is known is that the birth rate is very high. The total fertility rate (average number of children born to a woman in her lifetime) is about seven. This is very high, and corresponds to a population growth rate of about five percent per year. A continuation of this rate of population growth dooms the country to eventual destruction.

To see how destructive a high population growth rate is, even for an oil-rich country, consider the case of Saudi Arabia, which has a fabulous amount of oil and had a total fertility rate in the neighborhood of about seven for several decades. The following is excerpted from the book, *Twilight in the Desert: The Coming Saudi Oil Shock and the World Economy*, by Matthew R. Simmons (Wiley, 2005).

### A Population Explosion Creates Economic Challenges

For years, the population of Saudi Arabia was tiny, numbering only six million as recently as 1970. Close to one-third of these people were expatriate immigrants merely working in the kingdom. By 1980, the population had grown by 50 percent to nine million. By 1990, there were 14 million people, and by 2000, Saudi Arabia's population had soared to almost 22 million, including about 5.5 million non-Saudis. In 30 brief years, the number of Saudi citizens quadrupled from about four million in 1970 to over 16 million in 2000. This corresponds to an annual population growth rate of 4.4 percent. An appreciation of the various consequences of this demographic explosion is crucial to understanding the issues confronting the Saudi monarchy as the twenty-first century gets underway.

As with the entire Middle East today, the majority of the Saudi population is very young. According to the 2003 UN statistics, only 2.5 percent of the population is over 65, and 43 percent are still under 14. The birthrate is an astonishing 6.3 children per female. Unless Saudi Arabia's demographic trends change rapidly, the kingdom is headed towards a population of 40 million.

The University of Utrecht, which is known for its studies of population, forecast that Saudi Arabia's population will surpass 30 million by 2010 and will be close to 50 million in 2030. An increase of that magnitude is nearly certain because all of the potential parents needed to create another 15 to 20 million people are now alive. Given the high birthrate in the kingdom and the waves of young people entering child-bearing age, these population forecasts could end up being too low.

The economic challenges embedded in Saudi Arabia's population explosion are staggering. Not only does the number of jobs of all types need to grow rapidly, but Saudi Arabia's internal use of energy must rise also. Just creating

a reliable electricity grid and building new desalination plants to ensure sufficient potable water for another 10 to 20 million citizens will require vast increases in domestic energy use.

Saudi Arabia is still wealthier than the other large countries in the Middle East. But this wealth is a far cry from the opulence the kingdom enjoyed 25 years ago. On a per capita basis, the current Saudi gross domestic product (GDP) is 50 percent less than that of the poorest countries of the OECD. Saudi Arabia's wealth per capita now pales in comparison to some of its neighbors, such as Kuwait, the United Arab Emirates, and Qatar, which all benefit from still having small populations relative to the oil revenues each country receives.

The backbone of the Saudi economy has always been oil. It still accounts for 40 percent of the country's GDP, 70 percent to 80 percent of state revenues, and about 95 percent of total export revenues. The Saudi economy is oil and will remain so for the foreseeable future.

[End of Simmons' excerpt.]

The point to the Saudi example is that it was fabulously wealthy just a few decades ago, but today, because of an exploding population, is much less well off, and growing less well off every year – all because of exploding population. Here are some statistics that show what is happening

The following list shows the gross domestic product per capita for Saudi Arabia over the period 1968-2003. The data are from the *2005 World Development Indicators CD* (World Bank, 2005).

Year      Saudi GDP per capita (constant 2000 US dollars)

1968 6996

1969 7140

19707682  
19718827  
197210417  
197312481  
197415162  
197515193  
197616395  
197716694  
197815674  
197916293  
198016424  
198116261  
198213656  
198311842  
198410858  
19859849  
19869827  
19878966  
19889235  
19898814  
19909132  
19919659  
19929788  
19939538  
19949354  
19959131  
19969196  
19979191  
19989210  
19998909  
20009105  
20018914  
20028680  
20039038

The following list shows Saudi oil production over the period 1950-1982, in millions of barrels per day. Production has not increased since the early 1980s – in 2005 it was 9.2 million barrels per day. These data are estimated from the graph on page 47 of Simmons' book.

<u>Year</u>	<u>Saudi Oil Production, millions of barrels per day</u>
1950	0.6
1951	0.7
1952	0.8
1953	0.8
1954	0.9
1955	0.9
1956	1.0
1957	0.9
1958	1.0
1959	1.0
1960	1.2
1961	1.4
1962	1.5
1963	1.6
1964	1.7
1965	2.0
1966	2.4
1967	2.6
1968	2.8
1969	2.8
1970	3.4
1971	4.5
1972	5.3
1973	7.0
1974	8.0
1975	7.6
1976	8.0
1977	9.1

1978	7.7
1979	8.3
1980	9.4
1981	9.7
1982	7.0

The following list shows the population of Saudi Arabia over the period 1960-2003 (from the UN CD).

<u>Year</u>	<u>Population</u>
-------------	-------------------

1960	4075000
1961	4223940
1962	4365370
1963	4504340
1964	4645480
1965	4793000
1966	4950710
1967	5122000
1968	5309840
1969	5516790
1970	5745000
1971	5996950
1972	6275450
1973	6579170
1974	6904830
1975	7251000
1976	7574300
1977	7959310
1978	8394770
1979	8869420
1980	9372000
1981	9910020
1982	10490990
1983	11103650
1984	11736740

198512379000  
198613037940  
198713721070  
198814417130  
198915114860  
199015803000  
199116301000  
199216831000  
199317277020  
199417734860  
199518204840  
199618687260  
199719182480  
199819685060  
199920198000  
200020723150  
200121285060  
200221885970  
200322528304

These three tables show the spectacular impact that a high population growth rate has on dissipating even fabulous oil wealth. Saudi oil production increased from 2.8 million barrels per day in 1968 to nine million barrels per day in 1977 – an increase of over three hundred percent. During this time, Saudi population increased from 5.3 million to 8.0 million, and the GDP per capita increased from 6,996 USD per person to 16,694 USD per person (constant 2000 USD). Oil production more than tripled, and population increased by 50 percent, so the GDP per capita doubled.

Since 1977, Saudi oil production has remained about the same (about nine million barrels per day), but the population has increased from 8 million in 1977 to 22.5 million in 2003. GDP per capita has, as a result, *decreased* from USD16,694 per person in

1977 to USD9,038 per person in 2003. Saudi Arabia did not succeed in replacing oil as the primary component of its economy – no oil-rich undeveloped country ever does – and as a result its exploding population has caused the income per capita to decline.

The lesson is clear: even the fabulous oil wealth of a Saudi Arabia cannot keep a country's people well off, if the population continues to explode, and its primary source of income is its oil.

East Timor's population is exploding at about the same rate as Saudi Arabia's (actually, even a little faster). East Timor's population is now about a million people. In 1960, the population of Saudi Arabia was about four million people. If its current population growth rate continues at five percent per year, East Timor's population will be four million in 28.5 years, and 8 million in 34 years. It will then have the same population as Saudi Arabia had in 1968 – and vastly less oil! And by then, most of its oil will have been extracted and the money spent. Even with its vast wealth, Saudi Arabia could not stop the decline in the standard of living of its people, as its population exploded. If East Timor continues on its current path of exploding population, it will soon have the same population as Saudi Arabia – but it has nowhere near Saudi Arabia's oil wealth. East Timor has limited resources, of which oil is the major one. If East Timor continues its population policy of explosive population growth, it is destined for extreme poverty.

## **The Current Situation in East Timor**

East Timor's population is exploding. Most of the country is steep mountains, and there is very little land that can be farmed on a long-term basis. Here is an excerpt from my earlier article on East Timor, *A Country Model for East Timor* (at Internet website

<http://www.foundationwebsite.org/ACountryModelForEastTimor.htm> ).

“The total land area of Timor-Leste is 14,919 square kilometers, of which only a very small fraction is suitable for agriculture. The area of arable land is about 700 square kilometers (UN data; see *The State of Food and Agriculture 2003-04* (FAO, Rome, 2004)). The population density relative to total land area is 67 persons per square kilometer, and the population density relative to arable land area is 1,429 persons per square kilometer. These densities are extremely high, and unsustainable. They have been enabled and supported only by relying on massive energy inputs from fossil fuel, or by farming severe slopes, which can be done only for a few years before the land disappears. When global petroleum reserves exhaust (worldwide, by 2050), the population of Timor-Leste will fall back to the levels that are supportable on a sustainable basis by solar energy. Timor-Leste’s land can support, long-term, only about 25,000 people on solar energy at a low level of living, and only about 250 people long term on solar energy at a high level of living.”

Let’s compare this situation to a similar country, Haiti. Haiti is about twice the size of East Timor, and is mountainous, like East Timor. As is the case with East Timor, Haiti shares an island (Hispaniola) with another country, the Dominican Republic. The total land area of Haiti is 27,560 square kilometers, of which 7,791 square kilometers are arable. (Data source: *The State of Food and Agriculture 2003-04* (FAO, Rome, 2004).) The current population of Haiti is eight million, so that the population density relative to total land area is 306 persons per square kilometer (2005 World Development Indicators (World Bank, 2005)). Relative to arable land, the population density is 1,027 persons per square kilometer.

Here is an excerpt from the US Department of the Army *Area Handbook for Haiti* (US Government Printing Office, 1973). “Once largely covered with tropical rain forest and Caribbean pine, the country has been subjected to extensive clearing of its woodlands for farming and for provision of timber and firewood. Erosion has been severe, and in the early 1970s very little commercial forest remained. Rodents of various kinds are the only native mammals, but there are numerous species of birds, reptiles, and fresh-water and salt-water fish. Mineral resources are limited.” That paragraph was written in the early 1970s, when the population of Haiti was 4.2 million (1971 census). Since that time, with a population growth rate of about 1.86 percent per year, the population has exploded to eight million. In the census of 1918-19, the Haitian population was 1.9 million. The census of 1950 recorded 3.097 million.

The population growth rate of East Timor is over twice that of Haiti – five percent per year, vs. 1.86 percent per year. At its current population growth rate of five percent per year, East Timor’s population will grow from its current one million to two million in 14 years, to four million in 28 years, and to eight million (the current population of Haiti, which has twice the land area) in 56 years. Anyone who thinks that it is desirable to allow East Timor’s population to continue to grow at its present rate should visit Haiti. It is now so overcrowded that it can no longer support itself from its own land, and has become a living hell. Even after a half-century of substantial international development assistance, it is still an impoverished, beggar nation.

East Timor has little arable land. Except for its oil and gas reserves, it has limited commercially exploitable natural resources (coffee, some gold, manganese and marble). It is barely able to feed its current population, and, as its population continues to soar, it will have to import food. To acquire this food, it will either have to develop economically and buy it from value-added

manufactures or services, or it will have to spend its windfall petroleum reserves for food, not for development. Since independence in 2002, East Timor has been receiving substantial foreign assistance, at levels that are among the highest in the world on a per-capita basis. East Timor has been under intense pressure to develop economically.

Perhaps the greatest challenge to the international aid organizations is to keep East Timor's population growth rate high, so that very soon it will no longer be able to feed itself even using its oil revenues. At that time, the temptation to accept aid loans will be intense, the country will almost surely succumb, and bankruptcy will quickly follow. The country will then have to agree to spend its oil revenues on massive infrastructure development projects, to be undertaken by Western firms. At that time, East Timor will have lost all of its oil revenues, its environment will be totally devastated, and its bloated population will be desperately poor. It will have lost its independence once again, this time to the West, and it will have traded the future of all of its future generations for a few dollars for its elite. This is a bleak future, but it is the standard one planned by the international community for all less-developed countries. It will be interesting to see whether East Timor can escape this customary fate of less-developed countries.

If East Timor had no oil, the West would leave it alone. But it does have oil, and it is indeed a target of the West. First come the economic hit men (e.g., the authors of the UNDP *Timor-Leste Human Development Report 2006: The Path out of Poverty*), and then, if East Timor's leaders do not cooperate, will come the assassins. These are interesting times for East Timor's leaders – times that are either very lucrative and safe for them and devastating for their people, or times that are perilous for them but good for future generations.

## **International Pressure to Develop East Timor**

From the viewpoint of international development agencies (UN, World Bank, IMF, country donors), the situation in East Timor is that of an undeveloped country that has some oil wealth. As discussed by John Perkins, there are two general approaches used by international development agencies in dealing with less-developed countries. If the country has little or no petroleum reserves, the approach is to extend the country development loans so massive that it cannot repay them, so that the country becomes totally beholden to its creditors. As discussed by Perkins, this is easy to do. Economists publish studies that the loans will substantially raise the standard of living of the country's citizens. The country's leaders have an easy time "selling" the idea of massive development loans to its population. The country's leaders become very wealthy, usually from "skimming" the aid, since the massive development projects employ firms from wealthy Western nations. The promised development rarely occurs (countries such as Germany and Japan are counterexamples, but they were industrially developed before their destruction in World War II). The country's population continues to explode, and the number of desperately miserable and poor people increases. This approach increases the wealth of a small number of elite in the country receiving the aid, and of the owners of engineering and construction companies in the industrialized Western nations. As soon as the development aid starts to flow, the recipient country is in thrall to the West, and does its bidding, e.g., in the form of exploiting its natural resources, allowing permission for military bases, or votes in the UN.

The second approach used by international development agencies in dealing with less-developed countries applies to those who have substantial oil wealth. In this case, it is not possible to subvert the country by making large loans. The approach used

here is similar to that in Saudi Arabia. What is done here is to purchase the country's oil, and to pressure the country's leaders to spend most of the oil revenues ("petrodollars") on development projects that will be conducted by Western companies. The classic example of this situation is Saudi Arabia and other Middle-Eastern "oil" states. The country's leaders become very wealthy either from direct bribes or from their ownership positions in local companies that coordinate the development assistance.

The situation in East Timor lies between the situation in a less-developed country having no oil and a country such as Saudi Arabia with massive oil reserves. East Timor has some oil, but it is really quite small by global standards, and it is by no means sufficient to provide a high standard of living to the East Timorese population (sixteen billion dollars of oil divided by one million Timorese is just 16,000 dollars – the total amount of money available from East Timor's oil, for all time). The situation is similar to a country such as Ecuador or Peru, that have a limited amount of oil – sufficient to be of interest to the US or other countries, but not sufficient to form the primary basis for the economy, or even change it very much.

What will happen in East Timor will be a "combination" strategy. The international agencies will place strong pressure on East Timor to develop economically, and it will offer substantial loans to East Timor to do so. To its credit, East Timor has already rejected substantial World Bank loans, but it is unlikely, under a democratic system of government, that it will be able to do so for long. Eventually, if East Timor follows the usual path, it will accept massive development loans, be unable to repay them, and lose its independence to the Western global economic system. As soon as it is "hooked," it will be forced to spend all of the sixteen billion dollars from the sale of oil on costly development projects that benefit Western engineering and construction companies (e.g., roads, dams, electricity), but do little for East

Timor's welfare, either for its current generations or those of the future. When the oil runs out, it will have very little to show for it – the West will have taken all of the petroleum wealth, and East Timor will be destroyed.

If East Timor accedes to the demands of development agencies, it will spend all of its oil wealth and bankrupt the country. A few leaders will become wealthy, but the population will end up much worse than before. The environment will be destroyed, as is happening in Haiti, Ecuador, Peru, and every other country that has accepted development aid. The number of people living in poverty and misery will explode.

The reason why international development agencies do not press for population control is not, as some might believe and is invariably asserted, that they respect the religious and cultural mores or "human rights" of a recipient country (e.g., in the case of East Timor, its Roman-Catholic tradition of rejecting birth control). The reason why international aid agencies and major donors such as the US condone massive population growth, even though it is certain to destroy the environment and increase the number of poor people, is that the more people there are, the less able a country is to feed itself using its own traditional agricultural resources, and the more dependent it is on Western technology to feed itself (e.g., by using mechanization, fertilizer, irrigation, herbicides, pesticides, high-yield varieties, genetically modified varieties). The international development agencies are greatly supported in their efforts to bankrupt and impoverish by overpopulation by religions such as Roman Catholicism that discourage birth control and encourage large families.

East Timor's population growth rate is five percent per year. Even under the most favorable of conditions, few countries can maintain an economic growth rate of five percent a year. If East Timor continues to increase its population by five percent per

year, it will grow poorer and poorer and poorer, and its environment will be totally destroyed. International development agencies do not advertise this point (see, e.g., the UNDP *Timor-Leste Human Development Report 2006*), since they *want* East Timor to fail, after accepting aid loans and spending the revenues from its oil on massive development projects undertaken by Western firms. An exploding population is the *most important factor* preventing economic development, destroying a country's environment, driving its population into poverty, bankrupting it, and putting it in the thrall of international bankers. And that is why UNDP and other development organizations are so quiet on this issue. If they cared at all for the welfare of the country and its future, they would work hard to stabilize population growth before proceeding on any other development projects, since, without a stable population, all of those other projects are doomed to fail.

As discussed by Perkins, the industrialized West has a three-stage strategy for adding less-developed countries to its empire. First, it attempts to seduce them, using “economic hit men,” into accepting massive development loans that they can never repay, so that the country is bankrupted. The money from the loans is to be spent on firms from the donor countries (with some “skimming” allowed for the benefit of the recipient-country's elite). If this fails, and the target country's leaders either resist the loans or resist spending most of the money on the donor-country's firms, then “jackals” – “real” guns-and-bullets hit men – are sent in to assassinate uncooperative leaders (such as Guatemala's Arbenz, Ecuador's Roldós, Panama's Torrijos, or Chile's Allende). If assassination is not a viable option, and the stakes are sufficiently high (e.g., Iraq's oil, or the Panama Canal), then the country is invaded by soldiers. (This was the approach employed in the case of Saddam Hussein, who was surrounded by 15,000 bodyguards.)

If East Timor resists taking the international loans, the international agencies will conduct information campaigns promising a much-improved standard of living for the country's citizens if the government will just accept the development loans and fund development projects. If the government continues to try to resist, the aid organizations will label it as undemocratic (since it is not pandering to the population's demands for an increased standard of living), and call for "regime change." If the leaders continue to resist, then the West will send in its "jackals" and assassinate uncooperative individuals. The US will not invade East Timor militarily, since the stakes – a mere 16 billion US dollars in oil – are far too low.

When the oil runs out in countries like Ecuador, Venezuela, and Peru, the people will be worse off than before the oil was discovered, and there will be vastly more poor people than before. The environment will have been severely degraded, and the country will be far worse off ecologically than before. But, as bad as things will become, those countries will still have some resources, since they are not totally dependent on oil. If East Timor follows the economic development plan of the development organizations, it will be far worse off than these other countries, since it has few resources except for oil and its limited land and forests. It has very little in the way of natural resources other than oil. Its land can barely support its current population of one million, but by the time its oil runs out it will have, with its current population growth rate, several times that population. Its environment will have been destroyed – the forests gone and the soil eroded from slash-and-burn agriculture on steep slopes (visit Haiti to see what a once-forested slope looks like 15 years after cutting down the trees – it is nothing but large rocks). All East Timor will have to show for itself will be hundreds of kilometers of paved roads, some dams, and some electric transmission facilities. Even if it succeeded in developing some industrial production capacity, that will be of no use when global oil

reserves exhaust and it has no customers. East Timor will have spent its oil windfall in building “roads to nowhere.” The roads will carry no traffic, and the electric transmission lines will stand in eerie silence.

The paramount concept that East Timor must keep in mind in dealing with development agencies is that the word “development” here refers to development of the *West*, not of the country receiving the loan. If East Timor decides to accept development loans from the West, it must be constantly vigilant that it does not agree to any projects that will lead to its destruction, benefiting only the lenders. It must fight tooth and nail to protect its future. Accepting development aid is tantamount to dealing with the devil, and it will take exceptional skill and courage to resist the agencies’ corrupt proposals and avoid losing one’s soul in the bargain.

### **An Alternative Development Model for East Timor**

Before considering alternatives for East Timor, it is useful to recall the “development” process in Ecuador. Here again is the summary that Perkins presented in his book:

“In the years since I first went there, in 1968, this tiny country had evolved into the quintessential victim of the corporatocracy. My contemporaries and I, and our modern corporate equivalents, had managed to bring it to virtual bankruptcy. We loaned it billions of dollars so it could hire our engineering and construction firms to build projects that would help its richest families. As a result, in those three decades, the official poverty level grew from 50 to 70 percent, under- or unemployment increased from 15 to 70 percent, public debt increased from \$240 million to \$16 billion, and the share of national resources allocated to the poorest citizens declined from 20 percent to 6 percent. Today, Ecuador must devote nearly 50 percent of its national budget simply to

paying off its debts – instead of to helping the millions of its citizens who are officially classified as dangerously impoverished.”

Before building the massive Pastaza River dam, which destroyed thousands of hectares of Ecuadorian environment, electricity was a negligible component of the citizen’s monthly expenses. Now, many people earning as little as the \$153 per month minimum wage pay \$30-60 dollars per month for electricity. It is incredible how international development projects, which ostensibly benefit the poor, end up making life miserable for the poor and benefiting only the wealthy.

Here follows some additional description from Perkins’ book on the Pastaza River dam, and Ecuador’s experience with international development aid. Since East Timor is similar to Ecuador in some respects, it will be helpful to understand the Ecuador experience before attempting to devise a development strategy that will avoid Ecuador’s tragic mistakes.

### Prologue

Quito, Ecuador’s capital, stretches across a volcanic valley high in the Andes, at an altitude of nine thousand feet. Residents of this city, which was founded long before Columbus arrived in the Americas, are accustomed to seeing snow on the surrounding peaks, despite the fact that they live just a few miles south of the equator. The city of Shell, a frontier outpost and military base hacked out of Ecuador’s Amazon jungle to service the oil company whose name it bears, is nearly eight thousand feet lower than Quito. A steaming city, it is inhabited mostly by soldiers, oil workers, and the indigenous people from the Shuar and Kichwa tribes who work for them as prostitutes and laborers.

To journey from one city to the other, you must travel a road that is both tortuous and breathtaking. Local people will tell you that during the trip you experience all four seasons in a single day. Although I have driven this road many times, I never tire of the spectacular scenery. Sheer cliffs, punctuated by cascading waterfalls and brilliant bromeliads, rise up one side. On the other side, the earth drops abruptly into a deep abyss where the Pastaza River, a headwater of the Amazon, snakes its way down the Andes. The Pastaza carries water from the glaciers of Cotopaxi, one of the world's highest active volcanoes and a deity in the time of the Incas, to the Atlantic Ocean over three thousand miles away.

In 2003, I departed Quito in a Subaru Outback and headed for Shell on a mission that was like no other I had ever accepted. I was hoping to end a war I had helped create. As is the case with so many things we EHMs must take responsibility for, it is a war that is virtually unknown anywhere outside the country where it is fought. I was on my way to meet with the Shuars, the Kichwas, and their neighbors the Achuars, the Zaparos, and the Shiwiars – tribes determined to prevent our oil companies from destroying their homes, families, and lands, even if it means they must die in the process. For them, this is a war about the survival of their children and cultures, while for us it is about power, money, and natural resources. It is one part of the struggle for world domination and the dream of a few greedy men, global empire.

That is what we EHMs do best: we build a global empire. We are an elite group of men and women who utilize international financial organizations to foment conditions that make other nations subservient to the corporatocracy running our biggest corporations, our government, and our banks. Like our counterparts in the Mafia, EHMs provide favors. These take the form of loans to develop infrastructure – electric generating plants, highways, ports, airports, or industrial parks. A condition of

such loans is that engineering and construction companies from our own country must build all these projects. In essence, most of the money never leaves the United States; it is simply transferred from banking offices in Washington to engineering offices in New York, Houston, or San Francisco.

Despite the fact that the money is returned almost immediately to corporations that are members of the corporatocracy (the creditor), the recipient country is required to pay it all back, principal plus interest. If an EHM is completely successful, the loans are so large that the debtor is forced to default on its payments after a few years. When this happens, then like the Mafia we demand our pound of flesh. This often includes one or more of the following: control over United Nations votes, the installation of military bases, or access to precious resources such as oil or the Panama Canal. Of course, the debtor still owes us the money – and another country is added to our global empire.

Driving from Quito toward Shell on this sunny day in 2003, I thought back thirty-five years to the first time I arrived in this part of the world. I had read that although Ecuador is only about the size of Nevada, it has more than thirty active volcanoes, over 15 percent of the world's bird species, and thousands of as-yet-unclassified plants, and that it is a land of diverse cultures where nearly as many people speak ancient indigenous languages as speak Spanish. I found it fascinating and certainly exotic; yet, the words that kept coming to mind back then were pure, untouched, and innocent. Much has changed in thirty-five years.

At the time of my first visit in 1968, Texaco had only just discovered petroleum in Ecuador's Amazon region. Today, oil accounts for nearly half the country's exports. A trans-Andean pipeline built shortly after my first visit has since leaked over a half million barrels of oil into the fragile rain forest – more than twice

the amount spilled by the Exxon Valdez. Today, a new \$1.3 billion, three hundred-mile pipeline constructed by an EHM-organized consortium promises to make Ecuador one of the world's top ten suppliers of oil to the United States. Vast areas of rain forest have fallen, macaws and jaguars have all but vanished, three Ecuadorian indigenous cultures have been driven to the verge of collapse, and pristine rivers have been transformed into flaming cesspools.

During this same period, the indigenous cultures began fighting back. For instance, on May 7, 2003, a group of American lawyers representing more than thirty thousand indigenous Ecuadorian people filed a \$1 billion lawsuit against ChevronTexaco Corp. The suit asserts that between 1971 and 1992 the oil giant dumped into open holes and rivers over four million gallons per day of toxic wastewater contaminated with oil, heavy metals, and carcinogens, and that the company left behind nearly 350 uncovered waste pits that continue to kill both people and animals.

Outside the window of my Outback, great clouds of mist rolled in from the forests and up the Pastaza's canyons. Sweat soaked my shirt, and my stomach began to churn, but not just from the intense tropical heat and the serpentine twists in the road. Knowing the part I had played in destroying this beautiful country was once again taking its toll. Because of my fellow EHMs and me, Ecuador is in far worse shape today than she was before we introduced her to the miracles of modern economics, banking, and engineering. Since 1970, during this period known euphemistically as the Oil Boom, the official poverty level grew from 50 to 70 percent, under- or unemployment increased from 15 to 70 percent, and public debt increased from \$240 million to \$16 billion. Meanwhile, the share of national resources allocated to the poorest segments of the population declined from 20 to 6 percent.

Unfortunately, Ecuador is not the exception. Nearly every country we EHMs have brought under the global empire's umbrella has suffered a similar fate. Third world debt has grown to more than \$2.5 trillion, and the cost of servicing it – over \$375 billion per year as of 2004 – is more than all third world spending on health and education, and twenty times what developing countries receive annually in foreign aid. Over half the people in the world survive on less than two dollars per day, which is roughly the same amount they received in the early 1970s. Meanwhile, the top 1 percent of third world households accounts for 70 to 90 percent of all private financial wealth and real estate ownership in their country; the actual percentage depends on the specific country.

The Subaru slowed as it meandered through the streets of the beautiful resort town of Baños, famous for the hot baths created by underground volcanic rivers that flow from the highly active Mount Tungurahua. Children ran along beside us, waving and trying to sell us gum and cookies. Then we left Baños behind. The spectacular scenery ended abruptly as the Subaru sped out of paradise and into a modern vision of Dante's Inferno. A gigantic monster reared up from the river, a mammoth gray wall. Its dripping concrete was totally out of place, completely unnatural and incompatible with the landscape. Of course, seeing it there should not have surprised me. I knew all along that it would be waiting in ambush. I had encountered it many times before and in the past had praised it as a symbol of EHM accomplishments. Even so, it made my skin crawl.

That hideous, incongruous wall is a dam that blocks the rushing Pastaza River, diverts its waters through huge tunnels bored into the mountain, and converts the energy to electricity. This is the 156-megawatt Agoyan hydroelectric project. It fuels the industries that make a handful of Ecuadorian families wealthy, and it has been the source of untold suffering for the farmers and indigenous

people who live along the river. This hydroelectric plant is just one of many projects developed through my efforts and those of other EHMs. Such projects are the reason Ecuador is now a member of the global empire, and the reason why the Shuars and Kichwas and their neighbors threaten war against our oil companies.

Because of EHM projects, Ecuador is awash in foreign debt and must devote an inordinate share of its national budget to paying this off, instead of using its capital to help the millions of its citizens officially classified as dangerously impoverished. The only way Ecuador can buy down its foreign obligations is by selling its rain forests to the oil companies. Indeed, one of the reasons the EHMs set their sights on Ecuador in the first place was because the sea of oil beneath its Amazon region is believed to rival the oil fields of the Middle East. The global empire demands its pound of flesh in the form of oil concessions.

These demands became especially urgent after September 11, 2001, when Washington feared that Middle Eastern supplies might cease. On top of that, Venezuela, our third-largest oil supplier, had recently elected a populist president, Hugo Chávez, who took a strong stand against what he referred to as U.S. imperialism; he threatened to cut off oil sales to the United States. The EHMs had failed in Iraq and Venezuela, but we had succeeded in Ecuador; now we would milk it for all it is worth.

Ecuador is typical of countries around the world that EHMs have brought into the economic-political fold. For every \$100 of crude taken out of the Ecuadorian rain forests, the oil companies receive \$75. Of the remaining \$25, three-quarters must go to paying off the foreign debt. Most of the remainder covers military and other government expenses – which leaves about \$2.50 for health, education, and programs aimed at helping the poor. Thus, out of every \$100 worth of oil torn from the Amazon, less than \$3 goes to the people who need the money most, those whose lives

have been so adversely impacted by the dams, the drilling, and the pipelines, and who are dying from lack of edible food and potable water.

All of those people – millions in Ecuador, billions around the planet – are potential terrorists. Not because they believe in communism or anarchism or are intrinsically evil, but simply because they are desperate. Looking at this dam, I wondered – as I have so often in so many places around the world—when these people would take action, like the Americans against England in the 1770s or Latin Americans against Spain in the early 1800s.

The subtlety of this modern empire building puts the Roman centurions, the Spanish conquistadors, and the eighteenth- and nineteenth-century European colonial powers to shame. We EHMs are crafty; we learned from history. Today we do not carry swords. We do not wear armor or clothes that set us apart. In countries like Ecuador, Nigeria, and Indonesia, we dress like local schoolteachers and shop owners. In Washington and Paris, we look like government bureaucrats and bankers. We appear humble, normal. We visit project sites and stroll through impoverished villages. We profess altruism, talk with local papers about the wonderful humanitarian things we are doing. We cover the conference tables of government committees with our spreadsheets and financial projections, and we lecture at the Harvard Business School about the miracles of macroeconomics. We are on the record, in the open. Or so we portray ourselves and so are we accepted. It is how the system works. We seldom resort to anything illegal because the system itself is built on subterfuge, and the system is by definition legitimate.

However – and this is a very large caveat – if we fail, an even more sinister breed steps in, ones we EHMs refer to as the jackals, men who trace their heritage directly to those earlier

empires. The jackals are always there, lurking in the shadows. When they emerge, heads of state are overthrown or die in violent “accidents.” And if by chance the jackals fail, as they failed in Afghanistan and Iraq, then the old models resurface. When the jackals fail, young Americans are sent in to kill and to die.

As I passed the monster, that hulking mammoth wall of gray concrete rising from the river, I was very conscious of the sweat that soaked my clothes and of the tightening in my intestines. I headed on down into the jungle to meet with the indigenous people who are determined to fight to the last man in order to stop this empire I helped create, and I was overwhelmed with feelings of guilt. How, I asked myself, did a nice kid from rural New Hampshire ever get into such a dirty business?

[End of Perkins’ excerpt.]

From the experience of Ecuador – and Ecuador’s experience is similar to that of many other countries – it is obvious that the best way to avoid the problems that development aid brings is to avoid infrastructure development projects. These projects generate massive income for the first-world engineering and construction firms that undertake them, and some wealth for the recipient country’s leaders, but what they accomplish mainly is saddling the population with massive debt. Don’t do it. Just say no. Refuse to accept projects that require massive expenditures to foreign companies. Accept education and training, which are very low-cost and can reap big benefits. Insist on neighborhood schools and neighborhood jobs to which people can walk, so that a demand is not created for mass transportation. Refuse massive highway projects, which serve mainly the elite in their expensive four-wheel drive vehicles. Refuse hydroelectric dams. Refuse railway projects, which facilitate wasteful mass transportation. Refuse any type of electricity generation system that requires importing of fuel, such as petroleum, coal, or uranium. Refuse

electricity distribution systems. Refuse any project that requires importing of equipment or supplies (e.g., computers, cars, trucks) that cannot be produced in and maintained in the recipient country. Refuse any project that requires massive energy inputs. Refuse any project that requires repetitive, mind-numbing, soul-destroying work, such as assembly lines or production of subassembly parts (e.g., auto parts) or products (e.g., shoes, textiles, television sets, computers) using automated equipment. Refuse any project that requires competition with the high technology of the industrially developed world (electronics, pharmaceuticals). Refuse any project that is incompatible with E. F. Schumacher's views on humanness and local self-sufficiency. Refuse any project that involves battery production of animals, or plantation-style monoculture. Refuse any project that relies on Western medical technology, such as high-cost equipment, operations, or pharmaceuticals (e.g., CT and MRI scanners, organ transplants, antiretroviral drugs) that cannot be produced easily in East Timor. Refuse any agricultural projects that depend on high-technology or high-energy inputs (e.g., mechanization, irrigation, fertilizer, insecticides, herbicides, patented high-yield varieties, genetic modifications, clones).

In the long run, no economic development project will save a country's people from misery, poverty and death, and save its environment from destruction, if the population exceeds the solar-energy carrying capacity of the country. Within 40 years, when global petroleum is exhausted, the planet's population will fall to a few hundred million, and East Timor's population will fall to on the order of 25,000 or less. All development projects should be assessed on the extent to which they improve the quality of life of the future generations of East Timorese, not just the quality of life of the current generation. No projects or actions should be undertaken that "close doors" for future generations (such as deforestation, which exterminates plant and animal species).

These requirements may seem rather draconian, but within 40 years, when all of the world's petroleum reserves are exhausted, the industrial world will have collapsed, and none of these systems will be of any value. Highways will not have any cars on them, so what is the point of saddling your country with massive debt to build roads that, in a few years, will be of no value? It is much wiser and honorable and good to spend the country's one-time oil-windfall birthright on things that will benefit all future generations of East Timorese, rather than to waste this precious resource on development projects that, for a moment in time, will enrich Western firms and a few Timorese, but will destroy the environment, diminish the quality of life for all future generations of Timorese, and, as history repeatedly shows, will never even benefit the current Timorese population.

So, apart from education and training, what is left? Well, any project that uses very little energy and can be maintained indefinitely by local materials and low-level technology, is acceptable. Do not scale any project to a population larger than that that can be maintained on solar energy, because, as the petroleum age draws to a close (within 40 years, and probably much sooner), the population will quickly drop to those levels. What is the point to spending massive amounts of money and resources in building systems that will be obsolete within 40 years? Reject any tourism project that requires foreign imports for its set-up or operation. Accept any project that will help reduce population growth rate, and bring the population gracefully down to levels that can be supported by solar-energy-based agriculture or hunter-gathering, because, in just a few years, that is what will prevail, planet-wide.

Will this be easy to do? No. It may mean that the country refuses all international aid, which is almost always offered with strings attached to spend most of the money on Western firms and products (e.g., engineering, construction, cars, trucks, aircraft,

roads, railways, airports, electronic medical equipment, computers, telecommunications, electric power generation plants and distribution systems). Also, it is not risk-free. If your country does not possess any raw materials that are desired by the Western world, such as minerals, forestry products, and energy resources (oil, gas, coal, uranium), then the Western world will not care very much whether you accept development aid or not – and it will probably not offer any! But if your country possesses a commodity that they want, you had better be prepared for aggressive efforts to acquire it, ranging from economic hit men to jackals (assassins) to military invasions.

To survive, the industrialized world must have the oil and other resources possessed by less-developed countries. This process will never end, until the industrialized world comes to an end. The industrialized world is founded on “growth-based economics.” The goal is forever-increasing gross domestic product. More is never enough. Eventually, a developed country consumes all of its own resources, and it then turns to less-developed countries for more. Like an alcoholic or drug addict, it will do *anything* to obtain the oil and resources that it desires to continue to grow. Moreover, in the quintessence of greed, once it has paid for them, it wants the money back! In its dealings with less-developed countries, the West has two goals: obtaining the oil (or other resource) and then getting back the money that it spent for it. Incredible as it may seem, the West wants it *all*, and it wants it for *zero cost*! This is the primary motivating factor underlying economics – obtain what is wanted for the least possible cost.

Western countries may not be able to obtain products and services for zero cost from each other, but they have demonstrated time and again that they are quite capable of doing so from less-developed countries. In former times, the empires of the West acquired the resources of less-developed countries by military conquest and direct administration; today, the global

industrialized empire acquires what it wants mainly by economic subversion, with little need for military operations or direct administration. It has followed Machiavelli's dictum of administering a conquered country by supporting local families who do its bidding. Leaders who are uncooperative face pressures from economic hit men and propaganda campaigns. If that does not work, they face the threat of assassination and military invasion. Few leaders of less-developed countries have had the strength to face up to the West.

The most effective tool ever devised by the West to accomplish these two goals – obtain the resources, and then get the money back – is development assistance. Through the lure of development loans and development assistance that ostensibly will raise the standard of living of their populations to that enjoyed by the West, as well as enrich their elite, the West invariably succeeds in bankrupting less-developed countries and then taking all that they possess. The attraction of this offer, both to the recipient country's leaders and to its common citizens, seems irresistible. It is a Siren's call that cannot be denied. The West is a seductive temptress, and few countries have the will or ability to avoid seduction and ruin. Most less-developed countries will succeed only in selling all of their oil (or other resource) to the West, and then giving all of the revenues back in the form of development projects to Western development firms.

To deny the West's offer of development assistance is perilous indeed. If East Timor is to avoid "destruction by development," it will have to be very wary, skillful, and determined. To obtain East Timor's oil, the West will offer development assistance, at very reasonable terms (e.g., Australia's offer of "joint development" of the oil fields). The initial development will be of oil extraction facilities. Once the oil is flowing, the West will cajole East Timor into accepting massive development projects that will ostensibly benefit its people, such as hydroelectric dams, electricity

generating plants, electricity distribution systems, roads, tourism facilities, schools, and hospitals – anything that requires large expenditures on Western products and services. As East Timor's population explodes, it will soon be unable to feed itself, and it will experience incredible pressure, both from its own people and from the West, to accede to development projects. The only way that East Timor will be able to resist these demands is to control its population growth, and this will be very difficult to do – e.g., China was able to do so only after its population reached absurd levels, and then only via a totalitarian – nondemocratic – government. The Western political organizations religious organizations will lambaste efforts by the government to control its population as suppression of individual rights, culture and religious freedom. If the leaders persist, they may face assassination by the West, or perhaps even by their own people.

The challenge of selling oil to the West and avoiding destruction from its subversion is daunting, and the odds of success are not good. Does this mean that no attempt should be made to exploit the oil for the good of the country? Not at all. It simply means that efforts to use the oil should be guided by higher ideals, such as concern for the environment and the welfare of future generations. Buddha and Christ and Gandhi did not do what they did because it was easy; they did it because it was right, and the world honors their memory for that.

Below is an example of a development project that makes sense. It is based on low-level technology. It benefits the current generation of East Timorese, it benefits all mankind, and it can last for millions of years without damaging the environment. It is a transportation project. There are other projects like this that can provide a long-term benefit to Timor-Leste and not harm the environment, such as a university oriented toward spiritual development, mind-body studies, and traditional healing, or any project oriented toward making the country self-sufficient in a

solar civilization (i.e., a long-term survivable society that lives in harmony with nature (i.e., preserves the biosphere)). Another project that would benefit East Timor and all of mankind, both present and future generations, would be the establishment of a Planetary Management Institute (see <http://www.foundationwebsite.org/PlanetaryManagementInstituteEastTimor.htm> ).

### **An Example of a Sustainable Development Project: Lightweight, Low-Speed, Low-Cost Vehicles**

Less developed countries are frequently “sold” transportation systems whose performance characteristics far exceed what is required. They are sold systems based on cars or trucks costing USD25,000 – 50,000 each that can run at 150 kilometers per hour, when most of the population would be quite happy with a vehicle that cost USD250 and could run at 30 kilometers per hour. The USD25,000 fast-and-heavy vehicle requires a very good road system, that costs a million dollars a mile to construct, and it burns massive amounts of highly refined petrol or diesel fuel. The low-cost vehicle can operate on trails or dirt roads that can be maintained by local residents without expensive equipment and materials, and can burn locally produced fuel, such as ethanol. The high-cost vehicle cost much to maintain, and requires the import of high-cost parts. The low-cost vehicle can be repaired locally, at minimal cost, by the owner, using primitive tools (wrench/spanner, pliers, screwdriver, knife). The high-cost vehicle lasts for 5-10 years. The low-cost vehicle can last a century. The high-technology vehicle destroys the environment and contributes substantially to global warming both in its manufacture, operation and disposal; the low-technology vehicle does neither.

How to build such a vehicle? Simple. Simply construct the chassis, body, wheels and tires from plastics that can be synthesized from local materials, such as cellulose or some of East Timor's substantial oil. Do not use metal parts anywhere on the body or chassis – they are necessary only for high-speed vehicles. Avoid the use of an internal combustion engine, which is heavy, very inefficient, and requires much metal. Use an external combustion engine, such as a Stirling engine, or an electric motor.

Such a vehicle could satisfy all of East Timor's transport requirements, and can be produced using local labor and materials. In addition to domestic use, the vehicles could be mass produced for export, imposing very little burden on the environment – either East Timor's or the destination country's. There is a massive need and market for such a vehicle, worldwide. Using traditional vehicles (which are heavy and consume much petroleum), India and China, for example, can never hope to provide transport vehicles to many of their citizens, since they consume vastly too much energy, require massive high-tech roads, and they pollute the atmosphere too much. Using the lightweight, low-cost, low-speed vehicle, these countries could provide transportation vehicles to all of their citizens, with very little pollution and relatively low energy use.

An electric-motor version would be an ideal solution to the transportation desires of India and China (and most other countries that possess much coal or hydroelectric power) since they already possess substantial electricity distribution networks (power grids). Power sources (electrical outlets for recharging batteries) are accessible in all urban areas and many rural areas (towns, villages). All of the electric power required to operate the vehicles can be generated in coal-fired electric power plants that scrub or sequester the gaseous emissions (carbon, sulfur). Most of these countries' transportation needs can therefore be powered

by controlled, low-emission power plants, instead of by uncontrolled, high-emission burning of petroleum in each vehicle. Both India and China have raised the expectations of their people to have many private automobiles before very long, but they cannot possibly satisfy that expectation through the use of conventional heavy, gas-guzzling, internal-combustion-engine vehicles, or even “hybrid” vehicles (combination internal-combustion-engine and electric-motor vehicles), and certainly not “hydrogen” or “fuel cell” vehicles. With a lightweight, low-cost, low-technology electric vehicle, that goal is easily within reach.

For more information on the feasibility and advantages of electric vehicles, see Sony Pictures Classics’ website about its new film, *Who Killed the Electric Car?* at Internet website <http://www.sonyclassics.com/whokilledtheelectriccar/> , and Tesla Motors’ website <http://www.teslamotors.com> .

If East Timor wishes to develop an industrial export base, it should look for one that does not destroy the environment, and that does not require imports of parts, equipment, sophisticated tools or raw materials from other countries. The lightweight vehicle is environmentally friendly and does not require imported or exotic inputs.

A lightweight, low-cost vehicle would not fit well in some contexts, such as present-day United States, which already has a massive road system and millions of very large, very heavy, very fast vehicles on it. But East Timor (and many other less-developed countries) has no good roads, and very few heavy vehicles. It is in a perfect position to develop a national transportation system based on the use of lightweight, low-cost vehicles.

The year 2007 will be a crucial one for East Timor. It will decide which path it will follow: the traditional one of high-technology industrial development, which will quickly lead to massive debt,

environmental destruction, social strife and eventual collapse; or a debt-free, environmentally friendly, low-technology one leading to a society that will endure for a million years. Ecuador, Venezuela, Peru, Saudi Arabia, and most other countries of the world have chosen poorly. Their systems were designed to maximize economic activity and generate riches for the current wealthy elite, not to benefit their future generations, or mankind, or the environment. Their systems will soon collapse, as the Petroleum Age draws to a close. Their environments will have been destroyed. East Timor does not have to follow this path to destruction. They chose poorly. May East Timor choose well.

Update 20 May 2007

My website gets a fair number of hits on this article, many of them, curiously, from Vietnam. I sometimes “click” on the source of the hit – often an Internet search – to see what other articles were located by the search. It appears that Perkins has struck a nerve in his criticism of the industrialized world’s program of leading poor countries into economic slavery. Here, for example, are three articles on John Perkins which showed up in searches leading to the article on my website.

The first is an article posted at the International Information Programs page of the US Department of State, <http://usinfo.state.gov/media/Archive/2006/Feb/02-767147.html> . The second is from the Wikipedia entry on John Perkins, at [http://en.wikipedia.org/wiki/John\\_Perkins](http://en.wikipedia.org/wiki/John_Perkins), and the third is the Wikipedia entry on the book, *Confessions of an Economic Hit Man*, at [http://en.wikipedia.org/wiki/Confessions\\_of\\_an\\_Economic\\_Hit\\_Man](http://en.wikipedia.org/wiki/Confessions_of_an_Economic_Hit_Man) .

From the Wikipedia entry on John Perkins:

John Perkins (b. 1945 in Hanover, New Hampshire) is an activist and author. His best known and most recent book is *Confessions of an Economic Hit Man*, an insider's account of exploitation or neo-colonialization of Third World countries by a cabal of corporations, banks, and the United States government. It was on the New York Times bestseller lists for over a year (in both hardcover and paperback).

Perkins attended Tilton Boys School for high school, Middlebury College, and Boston University during the 1960s. He spent the 1970s working for the consulting firm Chas. T. Main, where he claims he was employed after being screened by the National Security Agency (NSA) and subsequently hired by Einar Greve, a member of the firm (and alleged NSA liaison, a claim which Greve has denied). He claims to have been trained early in his career by a beautiful, older woman who was armed with the psychological profile gathered about him by the NSA after many days of pre-employment screening, as one of many "economic hit men" advancing the cause of corporate hegemony.

As a former chief economist at Boston strategic-consulting firm Chas. T. Main, Perkins says that he "was an 'economic hit man' for 10 years, helping U.S. intelligence agencies and multinational corporations cajole and blackmail foreign leaders into serving U.S. foreign policy and awarding lucrative contracts to American business.

However, after several years struggling internally for the role he was playing crippling foreign economies, he quit his consulting job. For the 1980s Perkins founded and directed a successful independent energy company. In the book, Perkins states that he suspects the success of his company was due to 'coincidences' orchestrated by those appreciative of his silence about the work he did as an EHM. He then sold the energy company in the late 1980s. Since then he has been heavily involved with non-profit

organizations in Ecuador and around the world. He continues this work today, in addition to his writing. One of his organizations, Dream Change, is dedicated to shifting consciousness and promoting sustainable lifestyles for the individual and global community.

## Books

*The Secret History of the American Empire*  
*Confessions of an Economic Hit Man*, ISBN 0-452-28708-1

Perkins has also written on indigenous cultures and shamanism. His books on these subjects include:

*Psychonavigation: Techniques for Travel Beyond Time*, ISBN 0-89281-800-X

*Shapeshifting: Shamanic Techniques for Global and Personal Transformation*, ISBN 0-89281-663-5

*The World Is As You Dream It*

*The Stress-Free Habit*

*The Spirit of the Shuar*

Perkins is also the chair of the board of the Dream Change, "a world wide grass roots movement of people from diverse cultures and backgrounds dedicated to shifting consciousness and promoting sustainable lifestyles for the individual and global community."

## External links

[Deleted: See the Wikipedia entry for these.]

From the Wikipedia entry for *Confessions of an Economic Hit Man*:

*Confessions of an Economic Hit Man* (ISBN 0-452-28708-1) is a book written by John Perkins and published in 2004. It tells the story of his career with consulting firm Chas. T. Main. Before employment with the firm, he interviewed for a job with the National Security Agency (NSA). Perkins claims that this interview effectively constituted an independent screening which led to his subsequent hiring by Einar Greve, a member of the firm (and alleged NSA liaison) to become a self-described "Economic Hit Man."

According to his book, Perkins' function was to convince the political and financial leadership of underdeveloped countries to accept enormous development loans from institutions like the World Bank and USAID. Saddled with huge debts they could not hope to pay, these countries were forced to acquiesce to political pressure from the United States on a variety of issues. Perkins argues in his book that developing nations were effectively neutralised politically, had their wealth gaps driven wider and economies crippled in the long run. In this capacity Perkins recounts his meetings with some prominent individuals, including Graham Greene and Omar Torrijos. Perkins describes the role of an EHM as follows:

Economic hit men (EHMs) are highly paid professionals who cheat countries around the globe out of trillions of dollars. They funnel money from the World Bank, the U.S. Agency for International Development (USAID), and other foreign "aid" organizations into the coffers of huge corporations and the pockets of a few wealthy families who control the planet's natural resources. Their tools included fraudulent financial reports, rigged elections, payoffs, extortion, sex, and murder. They play a game as old as empire, but one that has taken on new and terrifying dimensions during this time of globalization.

The epilogue to the 2006 edition provides a rebuttal to the current move by the G8 nations to forgive Third World debt. Perkins charges that the proposed conditionalities for this debt forgiveness require countries to sell their health, education, electric, water and other public services to corporations. Those countries would also have to discontinue subsidies and trade restrictions that support local business, but accept the continued subsidization of certain G8 businesses by the US and other G8 countries, and the erection of trade barriers on imports that threaten G8 industries. Recent events in Bolivia and Tanzania are cited as examples of the effects of these proposed conditionalities.

The book's title was also used as the title for an Anti-Flag song in the album *For Blood and Empire*. In the essay booklet accompanying the album, Perkins writes on EHM's, and the song makes his stance more known to the punk-rock community which otherwise might not have read the book.

### Controversy and Criticism

Perkins's first boss at Chas. T. Main, Einar Greve, initially declared to journalists that "basically [Perkins's] story is true" and that "what John's book says is, there was a conspiracy to put all these countries on the hook, and that happened". Subsequently, he denied Perkins's allegation that he ever worked as a liaison with the NSA and contradicted other claims made in Perkins's book, stating that Perkins "has convinced himself that a lot of this stuff is true."

Some of the book's critics have questioned whether Perkins makes a significant contribution to the debate on global finance and the development of the Third World. For instance, columnist Mark Engler of *In These Times*, has written that "the actual content of Perkins' admissions proves distressingly thin."

According to the New York Times, "the book's popularity seems driven more by the mix of cloak-and-dagger atmospheric and Mr. Perkins's Damascene conversion" than by insight into "the larger issue of America's role in emerging economies."

Columnist Sebastian Mallaby of the Washington Post reacted sharply to Perkins' book: "This man is a frothing conspiracy theorist, a vainglorious peddler of nonsense, and yet his book, *Confessions of an Economic Hit Man*, is a runaway bestseller." Mallaby, who spent 13 years writing for the London Economist and wrote a favorable biography of World Bank chief James Wolfensohn, holds that Perkins' conception of international finance is "largely a dream" and that his "basic contentions are flat wrong."

Other sources, including articles in the *New York Times* and *Boston Magazine* as well as a press release issued by the United States Department of State, have referred to a lack of documentary or testimonial evidence to corroborate the claim that the NSA was involved in his hiring to Chas T. Main. In addition, the author of the State Department release states that the NSA "is a cryptological (codemaking and codebreaking) organization, not an economic organization" and that its missions do not involve "anything remotely resembling placing economists at private companies in order to increase the debt of foreign countries."

Critics, including Sebastian Mallaby and the author of the release by the State Department, have also referred to public remarks Perkins has made, as well as previously published books. His published works include books about South American tribal culture that deal with shamanistic techniques for creating self-empowerment, techniques to enhance health and longevity, as well as first hand accounts of metaphysical "travelling" through visions & dream wanderings.[9] Mark Engler questions Perkins's "New Age leanings," and accuses him of "delving into a type of

essentialism that, thankfully, has been long banished from university anthropology departments."

The State Department release refers to a presentation at a bookstore, where Perkins allegedly asserted that the US Government was involved in the assassinations of John and Robert F. Kennedy, Martin Luther King Jr., John Lennon and several US senators who died in plane crashes, and expressed concern regarding alleged inconsistencies in the US investigation of the events surrounding the September 11 attacks of 2001. The State Department release therefore identifies Perkins as a conspiracy theorist. In the book, however, Perkins repeatedly emphasizes that the dynamics he describes are systemic and specifically not the result of conspiracy:

"Although unconscious, deceived, and - in many cases - self-deluded, these players were not members of any clandestine conspiracy; rather, they were the product of a system that promotes the most subtle and effective form of imperialism the world has ever witnessed."

## References

[Deleted from this extract – see Wikipedia entry for them.]

## Notes

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## External links

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From the US Department of State International Information Programs page:

## Confessions -- or Fantasies -- of an Economic Hit Man?

Purported links to National Security Agency appear dubious

Washington -- John Perkins' popular, but misleading, book, *Confessions of an Economic Hit Man*, is being released in paperback. Perkins claims that the U.S. National Security Agency (NSA) recruited him to be an "economic hit man," who deliberately entrapped foreign countries in unmanageable amounts of debt so they would be beholden to the United States. This appears to be a total fabrication. To the contrary, the U.S. government has led a recent initiative to cancel the debt of many heavily indebted poor countries (HIPC).

### THE PERKINS ALLEGATIONS

In the book, Perkins says a mysterious woman named Claudine Martin at the Charles T. Main engineering company, where he worked as chief economist, told him he was to become an "economic hit man" and what that entailed:

"First, I was to justify huge international loans that would funnel money back to MAIN and other U.S. companies ... through massive engineering and construction projects. Second, I would work to bankrupt the countries that received those loans (after they had paid MAIN and the other U.S. contractors, of course) so that they would be forever beholden to their creditors, and so they would present easy targets when we needed favors, including military bases, UN votes, or access to oil and other natural resources." (p. 15)

Perkins claims that all this was done at the behest of the NSA, although he offers no evidence that this was the case. Nowhere

in his book does he claim that anyone at the NSA gave him any written or verbal directions.

Perkins' account that he interviewed for a job with the NSA in 1968 seems credible. He says he was trying to avoid being drafted during the war in Vietnam, and that a close friend of his father-in-law worked at the NSA, told him that NSA employees received draft deferments and set up an interview for him. Perkins says he received a job offer from NSA but decided instead to join the Peace Corps, which also made him eligible for a draft deferment, and was more to his liking.

At this point, Perkins' narrative appears to begin to depart from reality. He claims that the NSA approved of his joining the Peace Corps and had a hand in his being hired at the end of his Peace Corps duty by the Charles T. Main engineering company – all of this supposedly communicated silently, without even a wink or a nod.

Perkins is apparently not aware that the National Security Agency is a cryptological (codemaking and codebreaking) organization, not an economic organization. According to its public Web site, it is restricted by law to two missions:

- Information Assurance: protecting U.S. government communications systems from harm; and
- Foreign Signals Intelligence: collecting communications and signals intelligence on foreign entities.

Neither of these missions involves anything remotely resembling placing economists at private companies in order to increase the debt of foreign countries.

Throughout the book, it is clear that Perkins felt that he was betraying his conscience by working as an economist facilitating large engineering and construction projects in Third World countries. He is much more comfortable working with indigenous peoples, helping to preserve their cultures with small-scale economic projects, as he did in the Peace Corps and as he has done more recently. But there seems to be no reason to believe that the National Security Agency or any other agency of the U.S. government, except the Peace Corps, played a role in his personal drama.

Perkins revealed his fondness for conspiracy theories during a January 10 presentation at a bookstore in Washington. At one point, he claimed, falsely, that the U.S. government had been involved in the assassinations of President John F. Kennedy, Senator Robert F. Kennedy, Martin Luther King Jr., former Beatle John Lennon, and several unnamed U.S. senators who had died in plane crashes.

In response to a question about the September 11, 2001, attacks, he cautioned that although he did not know much about this subject he thought that if a bank had been robbed, the police would investigate the possibility that it had been an “inside job,” implying that the U.S. government may have been involved in the 9/11 attacks. He also recommended a Web site that puts forward the false claim that no plane hit the Pentagon on September 11, 2001. (For a discussion of this issue, see “Did a Plane Hit the Pentagon?”)

He said he found it hard to believe that the September 11 attacks had been planned by a man in a cave with a walkie-talkie – a formulation frequently used by those who wish to absolve al-Qaeda of responsibility for the attacks. (For discussion, see “Al Qaeda and September 11th.”)

Confessions of an Economic Hit Man, which Perkins says has been translated into some 20 languages, is popular because it is an exciting, first-person, cloak-and-dagger tale that plays to popular images about alleged U.S. economic exploitation of Third World countries. Perkins raises legitimate questions about the impacts of economic growth and modernization on developing countries and indigenous peoples. But his claim that he was acting as an “economic hit man” at the behest of the NSA appears to be a total fantasy.

## U.S. GOVERNMENT FAVORS DEBT RELIEF

Contrary to Perkins’ assertions, U.S. government policy seeks to reduce the debt burden for the most heavily indebted poor countries.

In 2004, President Bush called for a cancellation of official debt for the world’s poorest countries. A year later, at the Gleneagles summit in July 2005, the leaders of the Group of Eight (G8) agreed to pursue actions to write off the official debt of the world’s poorest 18 countries, and to forgive \$17 billion of Nigeria’s debt, in the biggest debt cancellation ever. (See G8 Summit 2005, Gleneagles, Scotland.)

The U.S. Treasury Department’s Under Secretary for International Affairs, Timothy Adams, described the program in September 2005:

“Under the plan, 18 HIPC countries will be immediately eligible for ... debt forgiveness: Benin, Bolivia, Burkina Faso, Ethiopia, Ghana, Guyana, Honduras, Madagascar, Mali, Mauritania, Mozambique, Nicaragua, Niger, Rwanda, Senegal, Tanzania, Uganda, and Zambia. The remaining HIPCs will also become eligible as they reach their HIPC Completion Point.

“The total amount forgiven for the 18 HIPC completion point countries will be \$40 billion in nominal terms .... The full application of the cancellation of existing debt repayments could amount to as much as \$60 billion as countries complete the process.”

## PERKINS' OTHER INTERESTS

Perkins has written several other books, which include:

*Psychonavigation*: “first hand accounts of how diverse tribal cultures travel beyond time and space by means of visions and dream wanderings;”

*Shapeshifting*: “shamanistic techniques for global and personal transformation;” and

*The World Is As You Dream It*: “shamanistic techniques from the Amazon and Andes.”

As to whether Perkins was acting at the behest of the U.S. government, the world is not “as he dreams it.”

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