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**lookout** by Naomi Klein

## The Rise of Disaster Capitalism

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Last summer, in the lull of the August media doze, the Bush Administration's doctrine of preventive war took a major leap forward. On August 5, 2004, the White House created the Office of the Coordinator for Reconstruction and Stabilization, headed by former US Ambassador to Ukraine Carlos Pascual. Its mandate is to draw up elaborate "post-conflict" plans for up to twenty-five countries that are not, as of yet, in conflict. According to Pascual, it will also be able to coordinate three full-scale reconstruction operations in different countries "at the same time," each lasting "five to seven years."

Fittingly, a government devoted to perpetual pre-emptive deconstruction now has a standing office of perpetual pre-emptive reconstruction.

Gone are the days of waiting for wars to break out and then drawing up ad hoc plans to pick up the pieces. In close cooperation with the National Intelligence Council, Pascual's office keeps "high risk" countries on a "watch list" and assembles rapid-response teams ready to engage in prewar planning and to "mobilize and deploy quickly" after a conflict has gone down. The teams are made up of private companies, nongovernmental organizations and members of think tanks--some, Pascual told an audience at the Center for Strategic and International Studies in October, will have "pre-completed" contracts to rebuild countries that are not yet broken. Doing this paperwork in advance could "cut off three to six months in your response time."

The plans Pascual's teams have been drawing up in his little-known office in the State Department are about changing "the very social fabric of a nation," he told CSIS. The office's mandate is not to rebuild any old states, you see, but to create "democratic and market-oriented" ones. So, for instance (and he was just pulling this example out of his hat, no doubt), his fast-acting reconstructors might help sell off "state-owned enterprises that created a nonviable economy." Sometimes rebuilding, he explained, means "tearing apart the old."

Few ideologues can resist the allure of a blank slate--that was colonialism's seductive promise: "discovering" wide-open new lands where utopia seemed possible. But colonialism is dead, or so we are told; there are no new places to discover, no *terra nullius* (there never was), no more blank pages on which, as Mao once said, "the newest and most beautiful words can be written." There is, however, plenty of destruction--countries smashed to rubble, whether by so-called Acts of God or by Acts of Bush (on orders from God). And where there is destruction there is reconstruction, a chance to grab hold of

"the terrible barrenness," as a UN official recently described the devastation in Aceh, and fill it with the most perfect, beautiful plans.

"We used to have vulgar colonialism," says Shalmali Guttal, a Bangalore-based researcher with Focus on the Global South. "Now we have sophisticated colonialism, and they call it 'reconstruction.'"

It certainly seems that ever-larger portions of the globe are under active reconstruction: being rebuilt by a parallel government made up of a familiar cast of for-profit consulting firms, engineering companies, mega-NGOs, government and UN aid agencies and international financial institutions. And from the people living in these reconstruction sites--Iraq to Aceh, Afghanistan to Haiti--a similar chorus of complaints can be heard. The work is far too slow, if it is happening at all. Foreign consultants live high on cost-plus expense accounts and thousand-dollar-a-day salaries, while locals are shut out of much-needed jobs, training and decision-making. Expert "democracy builders" lecture governments on the importance of transparency and "good governance," yet most contractors and NGOs refuse to open their books to those same governments, let alone give them control over how their aid money is spent.

Three months after the tsunami hit Aceh, the *New York Times* ran a distressing story reporting that "almost nothing seems to have been done to begin repairs and rebuilding." The dispatch could easily have come from Iraq, where, as the *Los Angeles Times* just reported, all of Bechtel's allegedly rebuilt water plants have started to break down, one more in an endless litany of reconstruction screw-ups. It could also have come from Afghanistan, where President Hamid Karzai recently blasted "corrupt, wasteful and unaccountable" foreign contractors for "squandering the precious resources that Afghanistan received in aid." Or from Sri Lanka, where 600,000 people who lost their homes in the tsunami are still languishing in temporary camps. One hundred days after the giant waves hit, Herman Kumara, head of the National Fisheries Solidarity Movement in Negombo, Sri Lanka, sent out a desperate e-mail to colleagues around the world. "The funds received for the benefit of the victims are directed to the benefit of the privileged few, not to the real victims," he wrote. "Our voices are not heard and not allowed to be voiced."

But if the reconstruction industry is stunningly inept at rebuilding, that may be because rebuilding is not its primary purpose. According to Guttal, "It's not reconstruction at all--it's about reshaping everything." If anything, the stories of corruption and incompetence serve to mask this deeper scandal: the rise of a predatory form of disaster capitalism that uses the desperation and fear created by catastrophe to engage in radical social and economic engineering. And on this front, the reconstruction industry works so quickly and efficiently that the privatizations and land grabs are usually locked in before the local population knows what hit them. Kumara, in another e-mail, warns that Sri Lanka is now facing "a second tsunami of corporate globalization and militarization," potentially even more devastating than the first. "We see this as a plan of action amidst the tsunami crisis to hand over the sea and the coast to foreign corporations and tourism, with military assistance from the US Marines."

As Deputy Defense Secretary, Paul Wolfowitz designed and oversaw a strikingly similar project in Iraq: The fires were still burning in Baghdad when US occupation officials rewrote the investment laws and announced that the country's state-owned companies would be privatized. Some have pointed to this track record to argue that Wolfowitz is unfit to lead the World Bank; in fact, nothing could have prepared him better for his new job. In Iraq, Wolfowitz was just doing what the World Bank is already doing in virtually every war-torn and disaster-struck country in the world--albeit with fewer bureaucratic niceties and more ideological bravado.

"Post-conflict" countries now receive 20-25 percent of the World Bank's total lending, up from 16 percent in 1998--itself an 800 percent increase since 1980, according to a Congressional Research Service study. Rapid response to wars and natural disasters has traditionally been the domain of United

Nations agencies, which worked with NGOs to provide emergency aid, build temporary housing and the like. But now reconstruction work has been revealed as a tremendously lucrative industry, too important to be left to the do-gooders at the UN. So today it is the World Bank, already devoted to the principle of poverty-alleviation through profit-making, that leads the charge.

And there is no doubt that there are profits to be made in the reconstruction business. There are massive engineering and supplies contracts (\$10 billion to Halliburton in Iraq and Afghanistan alone); "democracy building" has exploded into a \$2 billion industry; and times have never been better for public-sector consultants--the private firms that advise governments on selling off their assets, often running government services themselves as subcontractors. (Bearing Point, the favored of these firms in the United States, reported that the revenues for its "public services" division "had quadrupled in just five years," and the profits are huge: \$342 million in 2002--a profit margin of 35 percent.)

But shattered countries are attractive to the World Bank for another reason: They take orders well. After a cataclysmic event, governments will usually do whatever it takes to get aid dollars--even if it means racking up huge debts and agreeing to sweeping policy reforms. And with the local population struggling to find shelter and food, political organizing against privatization can seem like an unimaginable luxury.

Even better from the bank's perspective, many war-ravaged countries are in states of "limited sovereignty": They are considered too unstable and unskilled to manage the aid money pouring in, so it is often put in a trust fund managed by the World Bank. This is the case in East Timor, where the bank doles out money to the government as long as it shows it is spending responsibly. Apparently, this means slashing public-sector jobs (Timor's government is half the size it was under Indonesian occupation) but lavishing aid money on foreign consultants the bank insists the government hire (researcher Ben Moxham writes, "In one government department, a single international consultant earns in one month the same as his twenty Timorese colleagues earn together in an entire year").

In Afghanistan, where the World Bank also administers the country's aid through a trust fund, it has already managed to privatize healthcare by refusing to give funds to the Ministry of Health to build hospitals. Instead it funnels money directly to NGOs, which are running their own private health clinics on three-year contracts. It has also mandated "an increased role for the private sector" in the water system, telecommunications, oil, gas and mining and directed the government to "withdraw" from the electricity sector and leave it to "foreign private investors." These profound transformations of Afghan society were never debated or reported on, because few outside the bank know they took place: The changes were buried deep in a "technical annex" attached to a grant providing "emergency" aid to Afghanistan's war-torn infrastructure--two years before the country had an elected government.

It has been much the same story in Haiti, following the ouster of President Jean-Bertrand Aristide. In exchange for a \$61 million loan, the bank is requiring "public-private partnership and governance in the education and health sectors," according to bank documents--i.e., private companies running schools and hospitals. Roger Noriega, US Assistant Secretary of State for Western Hemisphere Affairs, has made it clear that the Bush Administration shares these goals. "We will also encourage the government of Haiti to move forward, at the appropriate time, with restructuring and privatization of some public sector enterprises," he told the American Enterprise Institute on April 14, 2004.

These are extraordinarily controversial plans in a country with a powerful socialist base, and the bank admits that this is precisely why it is pushing them now, with Haiti under what approaches military rule. "The Transitional Government provide[s] a window of opportunity for implementing economic governance reforms... that may be hard for a future government to undo," the bank notes in its Economic Governance Reform Operation Project agreement. For Haitians, this is a particularly bitter irony: Many

blame multilateral institutions, including the World Bank, for deepening the political crisis that led to Aristide's ouster by withholding hundreds of millions in promised loans. At the time, the Inter-American Development Bank, under pressure from the State Department, claimed Haiti was insufficiently democratic to receive the money, pointing to minor irregularities in a legislative election. But now that Aristide is out, the World Bank is openly celebrating the perks of operating in a democracy-free zone.

The World Bank and the International Monetary Fund have been imposing shock therapy on countries in various states of shock for at least three decades, most notably after Latin America's military coups and the collapse of the Soviet Union. Yet many observers say that today's disaster capitalism really hit its stride with Hurricane Mitch. For a week in October 1998, Mitch parked itself over Central America, swallowing villages whole and killing more than 9,000. Already impoverished countries were desperate for reconstruction aid--and it came, but with strings attached. In the two months after Mitch struck, with the country still knee-deep in rubble, corpses and mud, the Honduran congress initiated what the *Financial Times* called "speed sell-offs after the storm." It passed laws allowing the privatization of airports, seaports and highways and fast-tracked plans to privatize the state telephone company, the national electric company and parts of the water sector. It overturned land-reform laws and made it easier for foreigners to buy and sell property. It was much the same in neighboring countries: In the same two months, Guatemala announced plans to sell off its phone system, and Nicaragua did likewise, along with its electric company and its petroleum sector.

All of the privatization plans were pushed aggressively by the usual suspects. According to the *Wall Street Journal*, "the World Bank and International Monetary Fund had thrown their weight behind the [telecom] sale, making it a condition for release of roughly \$47 million in aid annually over three years and linking it to about \$4.4 billion in foreign-debt relief for Nicaragua."

Now the bank is using the December 26 tsunami to push through its cookie-cutter policies. The most devastated countries have seen almost no debt relief, and most of the World Bank's emergency aid has come in the form of loans, not grants. Rather than emphasizing the need to help the small fishing communities--more than 80 percent of the wave's victims--the bank is pushing for expansion of the tourism sector and industrial fish farms. As for the damaged public infrastructure, like roads and schools, bank documents recognize that rebuilding them "may strain public finances" and suggest that governments consider privatization (yes, they have only one idea). "For certain investments," notes the bank's tsunami-response plan, "it may be appropriate to utilize private financing."

As in other reconstruction sites, from Haiti to Iraq, tsunami relief has little to do with recovering what was lost. Although hotels and industry have already started reconstructing on the coast, in Sri Lanka, Thailand, Indonesia and India, governments have passed laws preventing families from rebuilding their oceanfront homes. Hundreds of thousands of people are being forcibly relocated inland, to military style barracks in Aceh and prefab concrete boxes in Thailand. The coast is not being rebuilt as it was--dotted with fishing villages and beaches strewn with handmade nets. Instead, governments, corporations and foreign donors are teaming up to rebuild it as they would like it to be: the beaches as playgrounds for tourists, the oceans as watery mines for corporate fishing fleets, both serviced by privatized airports and highways built on borrowed money.

In January Condoleezza Rice sparked a small controversy by describing the tsunami as "a wonderful opportunity" that "has paid great dividends for us." Many were horrified at the idea of treating a massive human tragedy as a chance to seek advantage. But, if anything, Rice was understating the case. A group calling itself Thailand Tsunami Survivors and Supporters says that for "businessmen-politicians, the tsunami was the answer to their prayers, since it literally wiped these coastal areas clean of the communities which had previously stood in the way of their plans for resorts, hotels, casinos and shrimp farms. To them, all these coastal areas are now open land!"

Disaster, it seems, is the new *terra nullius*.