

CHAPTER I

INTRODUCTION

A. Problem Background

After the 9/11 tragedy, U.S. seemed to have legitimated idea to attack what it is called terrorists. The Bush statement “with us or against us” became the strong mantra for the world to support his action on Iraq invasion in 2003. Both supporters and opponents of the Iraq War widely viewed it within the context of a post-September 11 world, where the U.S. has sought to make terrorism the defining international security paradigm. Bush often describes the Iraq War as a “central front in the war on terror.” The Invasion of Iraq became the blooded drama for people in Iraq. The fall of Saddam regime indicated the early success of Washington ambition.

According to the President of the United States George W. Bush and former Prime Minister of the United Kingdom Tony Blair, the reasons for the invasion were "to disarm Iraq of weapons of mass destruction (WMD), to end Saddam Hussein's support for terrorism, and to free the Iraqi people." Blair said the actual trigger was Iraq's failure to take a "final opportunity" to disarm itself of nuclear, chemical, and biological weapons that U.S. and coalition officials called as an immediate and intolerable threat to world peace.

With the election of George W. Bush as U.S. President in 2000, the U.S. moved towards a more active policy of “regime change” in Iraq. The Republican Party's campaign platform in the 2000 election called for "full implementation" of the Iraq Liberation Act and removal of Saddam Hussein, and key Bush advisors, including Vice President Dick Cheney, Defense Secretary Donald Rumsfeld, and Rumsfeld’s Deputy Paul Wolfowitz, were longstanding advocates of invading Iraq.¹

After leaving the administration, former Bush treasury secretary Paul O'Neill said that an attack on Iraq had been planned since the inauguration, and that the first National Security Council meeting involved discussion of an invasion. O'Neill later backtracked, saying that these discussions were part of a continuation of foreign policy first put into place by the Clinton Administration.²

The situation in Iraq after invasion is not much better than before. The broke of infrastructure, the lost of civilian rights like security, education and food are the picture of the recent Iraq. Political and economic system are broken and fallen down. The condition of Iraq is like the “white paper that should be rewritten”.³ In order to rewrite this “white paper”, Iraq needs assistance of foreign aid. The label given to Iraq such as the dangerous owner of Weapon Mass Destruction, the great supporter of terrorism and dictatorship, legitimates US administration to attack Iraq under Saddam Hussein. This action is called as the project of “Iraq Liberation Act”. The post invasion, the U.S. has

¹ O'Neill, '*Frenzy*' distorted war plans account, CNN.com (January 14, 2004). Retrieved on 2006-05-26, wikipedia.com/iraq_invasion.

² Ibid.

³ Kleins Naomi, *The Shock doctrine: The rise of disaster capitalism*, Penguin Books, London 2007.

responsibility to recover and reconstruct Iraq as the chronological agenda of the former one. Then based on the assumption that Iraqi people need assistance in recovering, reconstructing and redeveloping their own, U.S. administration raise the latter agenda namely Iraq reconstruction. The U.S. administration sees that Iraqi people cannot do that by themselves. The U.S. administration manages all kinds of thing dealing with the latter agenda.

L. Paul Bremer, who led the U.S. occupation of Iraq from May 2, 2003, until he caught an early flight out of Baghdad on June 28, admitted that when he arrived, “Baghdad was on fire, literally, as I drove in from the airport.” But before the fires from the “shock and awe” military onslaught were even extinguished, Bremer unleashed his shock therapy, pushing through more wrenching changes in one sweltering summer than the International Monetary Fund has managed to enact over three decades in Latin America. Joseph Stiglitz, Nobel laureate and former chief economist at the World Bank, describes Bremer's reforms as “an even more radical form of shock therapy than pursued in the former Soviet world.”

The tone of Bremer's tenure was set with his first major act on the job: he fired 500,000 state workers. Most of them are soldiers; others include doctors, nurses, teachers, publishers, and printers. Next, he flung open the country's borders to absolutely unrestricted imports: no tariffs, no duties, no inspections, and no taxes.⁴ Bremer declared two weeks after he arrived; it was “open for business.”

⁴ Klein Naomi, *Baghdad year zero: Pillaging Iraq in pursuit of a neocon utopia*, in <http://www.harpers.org/archive/2004/09/0080197>, retrieved in January 29th 2009.

One month later, Bremer unveiled the centerpiece of his reforms. Before the invasion, Iraq's non-oil-related economy had been dominated by 200 state-owned companies, which produced everything from cement to paper to washing machines. In June, Bremer flew to an economic summit in Jordan and announced that these firms would be privatized immediately. Bremer said "Getting inefficient state enterprises into private hands "is essential for Iraq's economic recovery." It would be the largest state liquidation sale since the collapse of the Soviet Union.

But Bremer's economic engineering had only just begun. In September, to entice foreign investors to come to Iraq, he enacted a radical set of laws unprecedented in their generosity to multinational corporations. There was Order 37, which lowered Iraq's corporate tax rate from roughly 40 percent to a flat 15 percent. There was Order 39, which allowed foreign companies to own 100 percent of Iraqi assets outside of the natural-resource sector. Even better, investors could take 100 percent of the profits they made in Iraq out of the country; they would not be required to reinvest and they would not be taxed. Under Order 39, they could sign leases and contracts that would last for forty years. Order 40 welcomed foreign banks to Iraq under the same favorable terms. All that remained of Saddam Hussein's economic policies was a law restricting trade unions and collective bargaining.⁵

In Iraq, U.S. companies take control of the reconstruction and recovery project. As noted by Nick Beams, those companies that already signed the letter of intent are *Halliburton* that signed the contract of drilling and distribution of Iraq's oil with sum of

⁵ Klein Naomi, Ibid in *Baghdad year zero: Pillaging Iraq in pursuit of a neocon utopia*.

US\$ 7 billion. *Kellogg, Brown and Root*, signed the contract with sum of US\$ 71 million for reconstructing oil drill and to operate it. *Bechtel*, which signed the contract with sum of US\$ 34,6 and planned to rise around US\$ 680 million to rebuild the electricity and water services. *MCI WorldCom* has signed contract with sum of US\$ 30 million to build the telephone network in Iraq. *Stevedoring Services of America* signed the contract with sum of US\$ 4,8 million for one year to build and maintain the ports in Iraq including the port in Umm Qasr and it can be raised up to US\$ 62,6 million to fulfill the elementary education need in Iraq.⁶

Virtually all the American companies that have already received --or would be receiving-- contracts for the reconstruction of Iraq, happen to be firms that have bankrolled George W Bush's election campaign and have closed links with the Republican Party. Most of these companies are also closely associated with the United States Agency for International Development or USAID, the wing of the Department of State that is responsible for overseeing the handing out of Iraqi contracts.

While the most glaring example of a politically connected company that has been favored is that of engineering giant Bechtel, there are many others in the fray. An investigation by Neil Mackay of Scotland's *Sunday Herald* has disclosed the list of

⁶ Nick Beams, *The Political Economy of American Militarism* in <http://www.wsws.org/articles/2003/jul2003/nb1-j10.shtml> July 11th 2003. Cited from Mutiah Setiawati Siti (ed), *Iraq di bawah Kekuasaan Amerika*, PPMTF FISIPOL UGM 2004.

companies that are direct beneficiaries of the \$80 billion package to finance the war in Iraq and its reconstruction approved recently by the US Senate.⁷

The International Resources Group ("which made significant donations to the Republican Party") has won a \$70 million contract for the humanitarian aid program. Four vice presidents of IRG have held senior positions with USAID and 48 technical staffers employed by the group have worked with USAID. One of the first firms to receive a contract worth \$4.8 million to manage the port of Umm Qasr was Stevedoring Services of America headed by John Hemingway who has made personal donations to the Republican Party.

Another company that has received a contract worth \$600 million is Kellogg Brown & Root, a subsidiary of Halliburton -- the world's largest provider of equipment and services to oil extracting companies -- that used to be run by Dick Cheney before he became Vice President of the US. Incidentally, Halliburton under Cheney had conducted sales worth over \$23 million with Iraq in 1998 and 1999 through the company's European subsidiaries ostensibly "to avoid straining relations with Washington", according to report published by the *Financial Times* in November 2000.⁸

Since 1999, Halliburton has donated \$700,000 -- or 95 per cent of all political donations made by the company -- to the Republican Party. Halliburton gave Cheney \$34 million as a farewell gift when he left the company. As recently as April 2, the *Wall Street Journal* reported that Cheney was receiving payments from Halliburton.

⁷ Paranjy Guha Thakurta, <http://www.rediff.com/money/2003/apr/29paran.htm>, *Reconstructing Iraq: Crony capitalism at its worst*, April 29, 2003.

⁸ Paranjy Guha Thakurta, *Ibid* in <http://www.rediff.com/money/2003/apr/29paran.htm>.

Besides Halliburton, other companies in the running for contracts when Mackay wrote his article included the Washington Group International Inc., the Louis Berger group and Fluor Corporation (that has ties to defense procurement and intelligence officials). These three companies had donated \$438,700, \$26,300 and \$275,000 respectively to the Republican Party's coffers.⁹

B. Research Question

How had the U.S. administration commodified the situation in Iraq post-invasion?

C. Theoretical Framework

For the purpose of this thesis, I would like to explain the fact of the situation Iraq post Invasion by using the concept of accumulating capital refers to David Harvey. Then I would like also to explain this condition by using one model of the structural power theory referring to Susan Strange. The concepts that I used below is in the term of commodification. The term “comodification” firstly, refers to Marxist tradition dealing with the work of capitalism. The social and personal relation is extracted into the relation based on capital accumulation. Therefore, every explanation dealing with the concept of capital accumulation and the work of production structure is in the form the work of comodification in specific way.

1. Mode of Capital Accumulation

Sharing resources of post-war condition in Iraq is the side effect of the war. And it was a part of reconstruction and recovery project. One thing that should be noted in

⁹ Paranjoy, Guha Thakurta, Ibid in <http://www.rediff.com/money/2003/apr/29paran.htm>

the occupation of the U.S. companies is the model of accumulating capital. According to David Harvey, there are four model of accumulation of redistribution of capital.¹⁰

The first model is privatization and comodification that aimed to open up the new field of capital operation for its accumulation. The accumulation process always deals with the corporatization of production sectors which so far should be the neutral way of accumulating capital. The second model is financialization which deals with deregulation making it the cornerstone of new model accumulating capital. The third model is the management and manipulation of crisis. This is the process of transferring wealth generally from the third world to the first one by manipulating the debt crisis. The forth model is transferring the wealth by its own state. Once the state liberalizes its country, they become the agent of redistribution that transfers the wealth from the bottom class to the upper one.

The situation in Iraq post-invasion allowed several US companies to operate, to produce and to distribute goods and services. The less power of Iraq administrators make US governmet initiate that Iraq reconstruction is under US legality. Therefore it is free for US government to invite its companies to take control in Iraq.

Iraq is one of the largest oil producing country. It is well known that U.S. is the largest country that consume oil for its sustainability. The effort to accumlate capital by the U.S. companies through “enter-permit” of U.S. government is in order to fulfill its oil need beside to expand to the world market. It is relevant to refer to what Harvey illustrates. US companies is freely taking control of goods and services production. The

¹⁰ Harvey, David, *Space of Hope*, Eidenburgh University Press, 2000.

condition aftermath of the invasion, if not the crisis in Iraq as the effect of the escalation of the war, is well commodified by the U.S. companies.

The model of accumulating capital in Iraq is closely related to the first model of capital accumulation referred to David Harvey which is privatization and commodification that aimed to open up the new field of capital operation for its accumulation. The coming of U.S. companies seems to be neutral way of capital accumulation. The war side effect cannot be separated with war itself as the main ‘project’ of the US government. By using the slogan “Iraq Liberation Act”, the U.S. administration has been thinking of those side effects. One of them is capital accumulation. This model also tends to avoid the host government intervention. Based on the data, almost two hundred companies were owned by the Iraqi government before the invasion. However in the aftermath of the invasion, they had been privatized through the condition in home.

2. Structural Power

The basic assumption of the effort gained by U.S. administration is to make the well rooted power in Iraq. This is based on the concept of structural power introduced by Susan Strange.¹¹ Structural power is the power to shape and determine the structure of the global political economy within which other states, their political institution, their economic enterprises and their scientists and other professional people have to operate. This structural power means rather more than the power to set the agenda of discussion or to design the international regimes of rules and outcomes that are supposed to govern international economic relations. Structural power, in short, confers the power to decide

¹¹ Strange, Susan, *States and Markets*, Pinter, London 1988.

how things should be done, the power to shape frameworks within which states relate to each other, relate to people, or relate to corporate enterprises.

It's impossible to have political power without the power to purchase, to command production and to mobilize capital. And it is impossible to have economic power without the sanction of political authority, without the legal and physical security that can only be supplied by political authority.

Structural power lies with those in a position to exercise control over (i.e to threaten or to preserve people's security, especially from violence. Secondly, it lies with those who are able to decide and control the manner or mode of production of goods and services for survival. Thirdly, it lies with those who are able to control the supply and distribution of credit. Controlling credit is significant due to the fact that purchasing power can be acquired without either working for it or trading for it, but it is acquired in the last resort on the basis of reputation on the borrower's side and confidence on the lenders. Lastly, structural power can also be exercised by those who possess knowledge, who can wholly or partially limit or decide the terms of access to it.

a. Four Sources of Structural Power

There are some sources of structural power that we actually know them as the common sense that sometime happen in daily life.¹² Firstly, the person or institution that are able to offer mode of security in the time of conflict threatening someone or institution, will be able to exercise power in other non-security matters like the distribution of food or the administration of justice. The greater the threat happens to

¹² Strange Susan, Ibid.

someone or institution, the higher its dependence toward ones else or institution who offer protection.

The question about who decides the means of defense against insecurity is as a fundamental question as who decides what should be produced, by whom, by what means and with what combination of land, labor, capital and technology and how each should be rewarded. It is about mode of production that is controlled by certain ruling class. The class in a position to decide or to change the mode of production can use its structural power over production to consolidate and defend its social and political power, establishing constitutions, setting up political institutions and laying down legal and administrative processes and precedents that make it hard for others to challenge or upset.

Thirdly, the structural power is sourced from the ability to control credit. The old-fashioned notion stating that before you invest you must accumulate capital by pilling up this year's profit on last year's is the way capitalist work. However in advanced economy, the investment is not money but credit; and it is obvious that it can be created. Therefore, whoever can gain the confidence of others in their ability to create credit will control a capitalist and so can socialist economy. The work of financial instruments nowadays depends on how much credit can be created.

Fourthly, knowledge is source of power. Whoever is able to develop or acquire and to deny the access of others to a kind of knowledge can exercise power. And whoever can control the channels to the given access of knowledge, will exercise other special structural power.

b. Planting Power in Iraq

Based on the source of power, that can be exercised by who is able to control and manage them, there are four model of structural power refers to Susan Strange. However for the purpose of this thesis I would like to explain the work of power structurally through a model of structural power, namely the production structure.

Production structure is defined as the sum of all arrangements determining what is produced, by whom and for whom, by what methods and on what terms. All the orgnized society are built on the foundation of production structure. Building and reconstructing Iraq is also to recover the social cohesion. After the invasion, Iraq needs to rebuild its political economiy and social basis. This condition is avalaible for certain power to work. The existence of U.S. companies with the goal to reconstruct Iraq is viewed as the effort to plant the power through the production structure.

Almost all of life side that needs goods and services are consolidated by the U.S. companies such as *Halliburton, Louis Berger group and Fluor Corporation, Stevedoring Services of America, Kellogg, Brown and Root, Betchel* and so forth. Thie effect of consolidating goods and services by the U.S. companies is the structuralization of production.

This circumstance makes Iraqi people dependent on what the U.S. companies produce, distribute and supply. This dependence is the way of production structure works. The companies will be able to create something they want based on the power of controlling the basis structure.

D. Hypothesis

From the data above I have the hypothesis that:

1. The U.S. exploits the situation in Iraq post-invasion as the impact of the escalation of the war happens in Iraq.
2. The wide escalation breaks almost the entire vital public infrastructure. It brought some effects to the effort of reconstructing and recovering of Iraq in the aftermath of invasion.
3. As the effect of unilaterality of U.S. invasion, the reconstruction and recovery of Iraq supposed to be the U.S. responsibility. The project of reconstructing and recovering Iraq become mode of capital accumulation. This circumstance makes U.S. freely strengthen its structural power toward Iraq.

E. Research Method

This is a content analysis research. In this model researcher is allowed to research the object without involving in it¹³. In this model, analyzed data will be taken from books, encyclopedia, magazines, newspapers and journals. In addition, the internet media will be valuable resources used in order to obtain data, reports, surveys, because updated information related to the topic is only available through the internet media. From these sources, I attempt to elaborate the research.

F. Writing System

The outline of this thesis is as described as followed:

¹³ Babbie, earl and Theodore C. wagenaar. 1983. *The Practice of Social Research Method*. California: Wadsworth. Page: 274.

- CHAPTER I will discuss about the problem background, research purpose, research question, theoretical framework, hypothesis, research model, and writing system.
- CHAPTER II will explain about the U.S. foreign policy toward Iraq, especially before September 11 tragedy and the aftermath.
- CHAPTER III will explain about the US invasion and its effect.
- CHAPTER IV provides explanation about the way of comodification through capital accumulation and then how the structural power, gained by the U.S. in Iraq as the effect of its wider effect of the invasion and its unilaterality of the invasion, works.
- CHAPTER V is the closing part of this thesis that contains conclusion and suggestion.