

Iraq and Imperialism

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The recent crisis in Iraq has revived a debate on where socialists should stand in the event of an armed conflict between the US/UK and Saddam's regime. The answer lies in a clear understanding of Iraq's status in the world capitalist order. Keith Harvey and Richard Brenner investigate the history of Iraq and explain its continued subordination to western imperialism.

What is Imperialism?

For Marxists the word imperialism has a specific meaning. It does not just mean one country conquering another. It means the modern system of exploitation and oppression under which a few rich and developed capitalist nations keep the rest of the world in poverty and under-development.

At the start of this century the world was divided between oppressed states and oppressor states. On the one side stood a handful of big imperialist powers. On the other side lay the colonies, forcibly seized by the imperialists during the preceding decades and centuries and subject to direct rule and shameless plunder.

States such as Britain and France had huge industrial and banking sectors. In their quest for profits and raw materials they were impelled to strike out abroad into relatively under-developed parts of the globe. By force of arms the governments of these rich nations divided the world between them, securing stable and protected markets for goods and capital investments, and a source of cheap labour.

The imperialists introduced capitalist relations of production into the colonial world, but in an uneven and distorted way. The great powers had developed their own enterprises embracing everything from light to heavy industry, from consumer goods to plant and machinery.

Industrial development in the oppressed countries was subordinated to the needs and rhythms of these giant companies within a growing world economy.

Indigenous capitalism was severely undermined, as in India, by cheap imports. Often countries with a particularly valuable raw material (oil, coffee, rubber etc.) would be deliberately confined to producing this and at best a few related industries, and the profits accrued would mainly benefit the imperialist companies and only secondarily a small layer of the local ruling class.

What is a semi-colony?

Today, as in 1916 when Lenin wrote his pamphlet *Imperialism, we can still speak of the imperialist powers as centres of monopoly finance capital; robber states vying with each other for advantage in the exploitation of the non-imperialist world.*

But since 1945 the non-imperialist countries have undergone a fundamental change in their relationship with the imperialist powers.

After the Second World War the USA aimed to abolish the old order of protected colonial empires. It

established military and political supremacy and, on the basis of this, a world market for its goods and used this to pressure its allies and enemies alike to relinquish most of their colonial possessions.

This US dominance coincided with a rise of national liberation struggles against the old imperialist powers, primarily France and Britain, which played a vital role in ending direct colonial rule. From Africa and the Middle East to South East Asia an era of 'independence' dawned for the former colonies.

Did this mean they had escaped subjugation to imperialism? No. The system of colonial exploitation was replaced by a system of semi-colonies, countries like Argentina and Iran which Lenin had described as 'politically and formally independent but in fact . . . enmeshed in the net of financial and diplomatic dependence'.

In 1916 Lenin viewed these as 'transitional' forms, which would inevitably be colonised as inter-imperialist rivalry intensified. But in the post-war order erected by USA the semi-colonial exception became the norm.

Imperialist finance capital was able to control the independent Third World countries through the operation of multinational companies and through loans, and assisted by what Lenin called 'its friend diplomacy', the threat of imperialist intervention and the covert operations of military and intelligence forces.

There are many advantages of this new system for the imperialists. The denial of formal political independence often gave rise to revolutionary nationalist movements against imperialism. In turn, such mass revolts posed the question of which class ruled? the capitalist system itself was threatened.

With the semi-colonial system, however, imperialism's stranglehold is hidden. By nurturing local ruling elites and playing one country off against another, imperialism hopes to derail any opposition. As a last resort, the rulers can always be dumped if they prove too unreliable or attacked if they dare to challenge imperialism's interests.

Few who claim to be Leninists would today deny that such backwaters of poverty and underdevelopment as Bangladesh or Bolivia constitute classic semi-colonies. But it is the emergence of developed and industrialised semi-colonies like Iraq, and their resultant military ambitions and adventures, which has led many to call into question the division of the world into oppressor and oppressed nations, and to challenge the whole analysis of the structure of imperialist exploitation outlined by Lenin.

This challenge also conveniently eradicates the need for revolutionaries to support such countries in military conflicts with imperialism. They argue that the ability of states like Argentina and Iraq to mount military adventures in their region is paramount in defining them as something other than semi-colonies.

However, the current crisis stems directly from Iraq's failure? despite its immense oil wealth in the 1970s? to escape from the semi-colonial restrictions imposed on its economy by imperialist governments, banks and multinationals.

Is Iraq a semi colony?

Iraq's borders were drawn by British civil servants and intelligence officers after the carve up of the old Ottoman Empire. Its early capitalist economy was dominated by the Iraq Petroleum Company (IPC). Established in 1928 it included five of the eight western companies which between them dominated world oil production and distribution. BP and Shell controlled nearly 50% of the company between them.

The concessions to explore Iraqi territory were prised out of the Iraqi royal family as the price for political independence. By the end of the 1930s the country was divided up into oil concessions to the big US and British companies.

There was supposed to be provision for Iraqi nationals to buy into the IPC but this was effectively blocked. During the whole period of the rule of the IPC over Iraq the multi nationals controlled the evolution and development of the country in their interests. They restricted the amount of revenue that was deducted from the oil profits of the IPC. Up to 1952 the government gained only \$1.75 per tonne sold.

The IPC also had it in its power to sell the oil to its 'customers' abroad (in reality another branch of the same network) at a superficially low price, often below the prevailing world market price. This ensured the official profits which Iraq took a share of, were low.

Despite its independence Iraq was a classic semi-colony. All the major decisions about its economy were under the control of the major benefactors of that economy; the imperialist oil companies.

Compared to the pre-war situation when oil output from Iraq was small, the booming 1950s demanded more and more. This put revenues at the state's disposal for some measure of industrial development, raising the possibility of a gradual diversification of the Iraqi economy and the promise of an eventual break with its semi-colonial condition.

When Colonel Qasim led a nationalist revolution against the royal family in 1958 he declared:

'We are fighting for the industrialisation of our republic and the ending of our dependence on the sale of crude oil.'

But the class structure of Iraqi society - one nurtured and protected by imperialism - stood in the way. The overwhelming bulk of the profits from oil that stayed in Iraq went directly to the tribal landlords and was invested in trade and land rather than industry. The small amount of manufacturing was confined to food, drink and textiles, purely for the home market.

In the 1960s, as global oil production increased in line with the long boom the IPC kept the production of oil from the Iraqi fields well below potential capacity, preferring to maximise output elsewhere. Iraq's income was dependent on increasing the volume of production but this was outside of its control. This is a perfect illustration of the way in which the semi-colonial system of exploitation works; Iraq's overall pace and direction of economic development was kept within the limits and at a tempo of imperialism's choosing.

Matters changed considerably after the bourgeois nationalist Ba'athist revolution finally triumphed in 1968. Between 1972 and 1975 the Iraqi government nationalised the holdings of the IPC entirely, after negotiating compensation. These years coincided with the first oil price rises of OPEC. Taken together this improved the financial situation of the Iraq government at a stroke. Oil revenue in 1972 was about \$1 billion. On the eve of war with Iran in 1980 it was to register \$26 billion a year and rising. But how were these revenues used?

Manufacturing certainly increased during the 1970s; it grew at about 11% per annum. Investments in industry, controlled by the state banking sector, did allow for the development of a new layer of the Iraqi capitalist class - primarily one involved in contracting for services in trade and construction.

It was the state itself which undertook the largest volume of investments; in heavy industry and high technology. Between 1969 and 1979 there was an 80% increase in state owned industrial establishments. But the pattern of these investments only underscored Iraq's dependence upon oil and imperialism.

Is Iraq a minor imperialist power?

Many who reject the notion of Iraq as a semi-colony place great emphasis upon the creation of an economy that is highly statified, highly monopolised - controlled and owned by an Iraqi ruling class.

However, the tendency towards state ownership and monopolisation of the economy is not evidence that Iraq is imperialist or even 'proto-imperialist'. Wherever capitalism lays down its roots the tendency for the centralisation and concentration of capital occurs. In semi-colonies many states inheriting a weak or non-existent bourgeoisie have to rely on the state as a forcing house for the accumulation of capital.

Nor does the existence of an economy relatively free of penetration by imperialist multinational capital prove that it has broken free of semi-colonial subordination. There are many ways in which imperialist capital can subordinate the development of a nominally independent economy to its own designs.

In the 1970s, far from breaking free of its dependence upon oil as a result of acquiring great financial wealth, Iraq increased its dependence on this one commodity with dramatic consequences.

Over half of the investments in this decade went into oil exploration or increasing productivity in the oil industry. Other investments went into the associated industries of chemicals and petro-chemicals. Most of these depend upon exporting their products in order to be viable but their costs of production are reckoned to be at least 50% to 75% higher than those produced in the west. Consequently these industries, far from making an export surplus, are subsidised by the oil revenues.

Nor did Iraq make much progress with refining its own crude oil which would have considerably increased the value of its exports. By 1988 of the 2.8 million barrels a day (b/d) of crude oil that Iraq extracts from the ground only 400,000 b/d are refined inside the country - a figure barely above what is consumed in Iraq itself.

It is in the nature of oil industries that they do not lead to a related development in infrastructure: transport, communications etc. Ports and pipeline facilities are the basic requirements for an oil based economy. But these do not automatically aid the rounded development of other industries. It was only in the plans drawn up for the 1980s that a modern motorway and railway system were envisaged; plans that were aborted by the war with Iran, the Gulf war and the ensuing sanctions.

Overwhelming reliance upon one commodity, even one as profitable as oil, always carries the danger of major problems if the price does not hold up. From a 1981 high of \$36.90 a barrel the price of oil plummeted in 1986 to around \$14 before recovering to around \$18. Iraq could not compensate for this halving of the price because it had failed to develop a broader economic base.

The industrial development that did take place, narrow as it was, was dependent upon imperialist multinational companies. After 1973 Iraq imported \$2 billion worth of capital goods, more than twice the value of its entire manufacturing sector. Consultant and service fees paid to imperialist companies are more than twice the value of Iraq's non-oil exports and ten times more than is spent on local research and development.

Over half of investments went on 'turnkey projects', that is, huge heavy industrial complexes which depend upon foreign companies for the initial investigation, design, procurement, installation and servicing. Foreign specialist labour is used preventing Iraqi workers and managers from acquiring skills jealously guarded by the imperialists.

It is true that all economies today are interdependent upon one another. But here we are talking about a situation in which the majority of investments in the industrial spheres of the economy are dependent upon imperialist capital. This means a considerable amount of the surplus finds its way back to the multinational companies and guarantees that the main levers of control lie out of the hands of the Iraqi ruling class itself.

The 1980s war against Iran is a classic example of the way imperialism rules. The US urged Iraq to act as

a bulwark against the Iranian revolution. Saddam obligingly invaded Iran, hoping to gain favours by becoming the region's policeman for the West.

Once the initial threat of the revolution spreading had subsided, however, the USA and Britain cynically let this war drag on, thus deflecting anger away from imperialist exploitation. Huge profits were garnered by the West's sale of conventional, biological and chemical weapons to both sides, while an estimated million lives were lost on each side.

The economic consequences of the war with Iran after 1980 were disastrous. Industrial development plans were abandoned and large swathes of existing manufacturing were destroyed by Iran.

Iraq was transformed from a country with considerable foreign currency reserves and negligible debt into one, at the end of the decade, with \$30 billion worth of debt and a mere \$1 billion of reserves. The debt servicing entails more of the wealth generated within Iraq being siphoned off abroad, again restricting the development of the economy.

On the eve of the invasion of Kuwait, Iraq was as far away as ever from breaking its chains of semi-colonial subservience to imperialism. It had no significant capital investments abroad. It had failed to diversify its industrial base. Oil accounted for nine-tenths of all its foreign earnings, three-quarters of its GDP, yet its real value today, barrel for barrel, was less than in 1970-71.

The devastating outcome of the 1991 war and the ensuing economic blockade only deepened Iraq's dependence. Sales of Iraqi oil have been massively restricted, costing the country over \$100 billion in lost revenue. The UN has made concessions: every six months for the last two years they have allowed Iraq to sell approximately \$2 billion worth of oil. But this 'barely provides for the basics of life', according to Denis Halliday, the UN's man in Iraq.

One third of the revenue pays for the UN inspection team and war reparations for the 1991 conflict. Last month The Economist admitted:

'The money is not nearly enough. Hospitals are not only short of such medicine as antibiotics, but also of gloves for doctors, light bulbs for operating theatres. The monthly food ration lasts two weeks and malnutrition is everywhere . . . The city's buildings are crumbling; many sanitation systems have collapsed.'

According to Unicef, over 1.2 million children have died directly because of the seven year regime of sanctions.

For the British and US ruling classes, this is all irrelevant. They won't be satisfied until a more pliant dictator is in place. France, however, is keen to avoid another war and to get the sanctions lifted quickly. Can Iraq be a semi-colony if imperialist France is prepared to argue against US and British aggression in the Gulf? But as we pointed out in Workers Power 217:

'Both Russia and France are owed billions of dollars by Iraq - debts dating back to the 1970s. Even more importantly, both countries have lined up gas contracts worth \$2 billion with Iraq. Neither the repayments nor the contracts can be realised unless sanctions are lifted.'

Far from standing up for Iraq's rights as a sovereign, independent nation-state, France is merely protecting its own national interests.

Of course those who see military aggression as simple proof that a state is imperialist will not be satisfied

by, or even bothered about, an analysis of Iraq's economy and its place in the world system of imperialism. But for anyone interested in understanding Iraq from the point of view of Marxism, understanding its economy is vital.

To launch a thoroughgoing and balanced industrialisation and development of Iraq would require breaking the chains of debt, of oil dependence and of imperialist diplomacy.

That is why no section of the Iraqi bourgeoisie can lead Iraq out of semi-colonial subservience. Fundamentally its class interests lie with the imperialist system, despite Saddam's anti-imperialist rhetoric.

Iraq is incapable of achieving the stage of 'medium capitalist development', sub-imperialism, or proto-imperialism some claim it has already achieved.

The basic tenets of Trotsky's theory of permanent revolution apply to Iraq today just as they applied to the 'classic' colonial and semi-colonial revolutions of the 1920s and 1930s.

Only the working class and poor peasants, whose interests are implacably opposed to imperialism, can lead Iraq out of semi-colonial servitude. To do that they will have to defeat not only the imperialists but Saddam himself.

The anti-imperialist revolution in Iraq, as in the rest of the Third World, will triumph as a workers' revolution or not at all.

Iraqi Socialists speak out!

During the present Gulf crisis one voice has been conspicuously absent from western media coverage: that of the Iraqi people. Workers Power spoke to a representative of the Workers' Communist Party of Iraq, which is committed both to the overthrow of the Ba'athist regime and to fighting against imperialist intervention in the region.

WP: Why is the USA determined to stir up war against Iraq?

WCPI: The USA's aim is not primarily to topple Saddam, nor even to implement UN resolutions. The USA's aim, before and after the 1991 war, is to bolster its power in the region: it has manufactured the present crisis as an excuse for intervention. The 1991 war was an excuse for US imperialism to establish its 'New World Order'; now the Iraq crisis is an instrument for the USA to exert its diplomatic dominance over its main rivals: Russia, Germany and Japan. Regionally the US intervention is designed to make sure that the general 'peace process' in the Middle East stays within limits that coincide with US interests.

Some Iraqi opponents of Saddam Hussein have supported the UN sanctions, and call for Saddam to comply with them. What do you think?

The sanctions are an economic war against the Iraqi people. The stated aim of the US inspired sanctions was to weaken the regime. But they have not done that. Saddam has not been touched by the sanctions. The main effect of the sanctions has been to increase the suffering of the people of Iraq. The increased quota of oil that Iraq is allowed to sell is not a concession to Saddam. It means that, even if there is no war this time there will still be a severe economic crisis and paralysis in Iraq. The economic blockade must end, whether or not Iraq complies. The sanctions should be lifted unconditionally. First call on the oil income is to repay Kuwait and pay for the UNSCOM inspectors. In relation to the war reparations to Kuwait: the Iraqi people are not responsible for the damage done to Kuwait. Iraq should cancel the debts.

The USA claims it is fighting to overthrow Saddam. What do you say?

We say the task of overthrowing Saddam Hussein falls to the Iraqi people. At the same time, we say that the struggle between Saddam and the USA is a struggle within the bourgeoisie. Saddam wants to be a hero of Arab nationalism, the USA wants to rule the Middle East.

We say the Iraqi people must fight both Saddam and US imperialism at the same time. In fact, for all the threats, people in Iraq recognise that the USA will not overthrow Saddam. Workers in Britain should declare their solidarity with the Iraqi people, against the war.

What about Kurdistan? Some of the Iraqi ?democrats? actually have the same line as Saddam when it comes to the Kurds.

Today Kurdistan is in limbo: it is not ruled by Iraq and it is not an independent nation. It is administered by the UN and by the rival Kurdish nationalists, Talabani and Barzani. Into this territory both Iraq and Turkey repeatedly launch military incursions. And where the Iraqi state has retreated, the Kurdish nationalists just replace them, repressing the left and the workers. This state of limbo has reduced Iraqi Kurdistan to the position where there is no work, no government, no real society. So we say: the Kurdish people must be allowed to decide their own future. We call for a referendum: if the majority wants an independent Kurdistan, then they should have the right to leave Iraq. In such a referendum our position is for an independent Kurdistan ? as long as Kurdistan is being oppressed by Iraq. If Saddam were overthrown and replaced by a secular, not nationalist government, we would fight for unity between the people of Iraq and Kurdistan.

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