

# House to vote on giving Amazon \$53 billion deal to become main Pentagon supplier

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11 November 2017

Members of the US House of Representatives and Senate Armed Services committees announced Wednesday that they have reached agreement on the proposed \$700 billion National Defense Authorization Act (NDAA), the annual defense spending bill. This astronomical figure—an \$80 billion increase over spending in 2016 and roughly \$26 billion more than was requested by President Donald Trump—is a clear signal that the US will expand its ongoing wars around the world and is preparing to engage in far broader conflicts potentially involving North Korea, Iran, Russia, and China.

The NDAA will now be voted on by the House of Representatives, where it has been rubber-stamped every year since 1961, before being signed into law by Trump. While reporting by the bourgeois press on the NDAA has been limited overall, a key section of the bill, titled “Procurement Through Commercial E-Commerce Portals,” has been almost entirely overlooked. This section establishes the framework whereby Amazon will be able to corner the market for Defense Department procurements worth roughly \$53 billion, and its inclusion in the NDAA is a product of the direct links connecting Amazon with the state and military-intelligence apparatus.

Already marked as a semi-official wing of the US military-intelligence apparatus by their back-room deal with the CIA, Amazon will likely soon become the primary supplier for numerous items demanded by the Defense Department.

The Pentagon will now purchase office equipment, internet service, and all other equipment needed to direct its out war crimes directly from Amazon, both in the US and at its military bases internationally. In other words, if the bill becomes law, Amazon will be providing hundreds of thousands of CIA agents, military personnel, prosecutors, and immigration agents with their pencils, desks, and chairs.

Section 846 of the NDAA requires the Defense

Department to purchase commercial off-the-shelf (COTS) products on “e-commerce portals.” While congressmen claim that there will be healthy “competition” between a variety of such “e-commerce portals,” in reality Amazon possesses immense advantages that leave it poised to quickly monopolize the market.

By claiming that the online marketplaces are inherently competitive, Section 846 also enables the federal government to secure no-bid contracts, eliminating the requirement that procurement officers seek competitive bids.

The experience of numerous third-party vendors on Amazon, however, testifies that their online marketplace is the antithesis of a “free market.” Rather, the company is notorious for using the most sophisticated technology to drive out their competition and take over markets for themselves. By using algorithms to track sales data on Amazon, the company determines which products are most profitable, diverts traffic to their own marked-down version of the same product to drive out their competition, and then gouges the price to reap super-profits once they’ve established monopoly control.

Amazon is able to do this in part because they charge third-party companies 15-20 percent of their sales revenue for the ability to sell on Amazon, which impinges on profits and sets a higher price threshold at which companies can sell while still being profitable, thus enabling Amazon to perpetually undercut their competition.

With the establishment of an online marketplace catering to the federal government, Amazon will be able to track the Pentagon’s spending data on everything, and repeat the above process until they control every major market. Very shortly, Amazon could be the sole source of chairs, paper, desks, water bottles, etc. for the entire Defense Department, netting annual revenue of almost the entire apportionment of \$53 billion, equal to 38 percent of

the company's overall \$136 billion revenue in 2016.

Similar to the 2013 deal between Amazon and the CIA, the current deal gives the company a foot in the door for securing even more lucrative military contracts in the future. If this foray proves successful, the broader intelligence community and other federal agencies could themselves formulate "online marketplace" policies designed to benefit Amazon.

The proposed NDAA budget explicitly states that it will promote "the objective of enabling Government-wide use of such portals," while making the entire process as seamless as possible for Amazon and the other e-commerce portals. The document states, "The conferees encourage the Administrator, General Services, to resist the urge to make changes to the existing features, terms and conditions, and business models of available e-commerce portals, but rather demonstrate the government's willingness to adapt the way it does business."

In 2016, Amazon accounted for 38.1 percent of all online retail sales, followed distantly by eBay at 7.8 percent, Apple at 3.2 percent and Walmart at 2.8 percent. Amazon's e-commerce sales are projected to grow by 32 percent this year, with their market share ballooning to 43.5 percent. If their growth continues at the same rate, Amazon will control 100 percent of online retail sales in roughly 10 years. With the help of the Pentagon, Amazon could reach this level of monopolization far sooner.

The connections between Amazon and the state find open expression in the implementation of Section 846 of the NDAA, which the company sculpted with House Armed Services Committee chair Mac Thornberry, a Texas Republican who has been lobbied by Amazon over the past year. Thornberry first introduced the concept of establishing online marketplaces via a standalone bill last May, which he then wrapped into the NDAA budget proposal in the following months. Announcing the initial bill proposal, Thornberry declared, "if you're buying office supplies, you ought to be able to go on Amazon and do it."

So far this year, Amazon has spent \$9,660,000 lobbying the federal government, the 15th largest amount of any company or entity. They are on track to spend \$12 million this year, more than Dow Chemical and ExxonMobil. In the second and third quarters of 2017, Amazon explicitly lobbied on the "modernization of the procurement process," according to filings by lobbying firm TwinLogic Strategies.

Amazon Business, the company's commercial sales

platform launched in 2015, will likely be the platform by which they sell merchandise to the Defense Department. The current head of Amazon Business' public sector division, Anne Rung, was the head of the US government's Office of Management and Budget's Office of Federal Procurement Policy until fall 2016. In that capacity, Rung effectively oversaw the program that will now be making purchases directly from Amazon.

As the *International Amazon Workers Voice* (IAWV) has repeatedly exposed, Amazon is deeply implicated in the war crimes of American imperialism. Behind the backs of Amazon workers and the American population, the company has facilitated the machinations of the military and formed connections at the highest levels of the state. Their latest efforts to create a private marketplace to secure immense profits from the Pentagon marks a significant deepening of this corrupt relationship.

The only way to break the domination of the corporations and the military-intelligence apparatus is for workers to expropriate corporations like Amazon, redistribute the company's wealth and the \$90 billion belonging to CEO Jeff Bezos according to human need, and reorganize the corporation as a public service. Under socialism, Amazon's distribution networks could be directed by the workers to deliver food, medicine, and rebuilding supplies to disaster zones like Puerto Rico, to help deliver clean water to impoverished regions of the world, and to establish a level of social planning to the distribution of the world's resources.



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