Australian companies rush to profit from Iraqi devastation

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In the aftermath of its participation in the illegal invasion of Iraq, the Howard government has rushed to ensure that Australian corporations win a slice of the multi-million dollar contracts being offered for the rebuilding of Iraq's devastated infrastructure. Between April 27 and May 2, Australia's trade minister, Mark Vaile, led a delegation of executives from 10 major Australian construction, engineering, and oil and gas companies in talks with US officials and corporate executives.

The delegation, which included senior figures from BHP, Santos, Multiplex, Clough Engineering, Australian Power and Water, and Woodside Petroleum, visited several US cities. They held discussions with the largest of the American firms awarded reconstruction contracts from USAID (Agency for International Development).

Vaile also met with USAID administrator, Andrew Natsios, who told the minister that while the prime contracts will continue to go to US companies, Australia had the opportunity to bid for valuable subcontracts. USAID, Vaile told journalists after the meeting, was "very warmly disposed to any Australian involvement at that level with the prime contractors".

These subcontracts are potentially worth up to $US680 million for Australian business. As Vaile made clear, however, what is at stake is far more than the initial value of the contracts on offer. In Washington, he noted that "ultimately there's going to be billions of dollars spent in the whole rehabilitation and reconstruction process ... those companies that can get themselves in on the ground floor now stand a strong chance to be there for the long run".

The Australian business delegation held talks with Bechtel; the US construction giant that has been awarded the most valuable of the initial primary contracts. [See Bechtel awarded Iraq contract: war profits and the US "military-industrial complex"] Vaile subsequently described this meeting as "promising", and said that Bechtel executives had denied initial reports that non-American firms would be barred from winning more than 50 percent of the total reconstruction subcontracts. Vaile also led Australian oil and gas companies in talks with Halliburton Energy Services Group.

Both the US and Australian governments have been careful to deny any connection between access to the commercial contracts and Australia's participation in the invasion of Iraq. There can be no doubt, however, that, as the Howard government expected, Australia's role in the "coalition of the willing" has earned Australian business a sympathetic hearing in Washington. Vaile proudly noted that in the US there was "a very high level of awareness, obviously, and an empathy to the fact that, you know, Australia and Britain were the other two key players in the coalition of the willing".

While there were decisive strategic motivations underlying the government's participation in the war, the expected corporate windfall undoubtedly played a key role in the government's calculations. Indeed, the prime minister's insistence that support for the US-led attack against Iraq was in the "national interest" can only be understood in light of the post-war carve up of the impoverished country.

The efforts of the government to capitalise on the destruction of Iraqi society seemingly bore fruit on May 6 when Patrick Corporation became the first Australian company to secure one of the subcontracts. Patrick won the contract, the value of which has not been disclosed, with the US firm SkyLink Air and Logistical Support. Patrick is to be responsible for assessing the state of Baghdad Airport, and reporting on the work required to resume full operations there.

Patrick's only previous operation in the Middle East was in Dubai, five years ago, when non-union dockworkers were secretly trained as part of Patrick's effort to break the Maritime Union of Australia. Patrick, and its head Chris Corrigan, became notorious for its anti-worker policies and the provocative use of German shepherd dogs and balaclava-clad security against dockers' picket lines. It is highly indicative of the nature of the reconstruction that the first Australian company to win a contract has such a record with regard to workers' rights.

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Australia's attempts to secure reconstruction deals have been conducted with a general acceptance of the inevitability of American dominance in the contracting process. It is an altogether different situation with regard to wheat and other agricultural exports to Iraq. There have been increasingly acrimonious disputes between Australia and the US over the Iraqi wheat market.

Under the United Nations "oil-for-food" program, Iraq imported approximately three million tonnes of wheat annually, two-thirds of which came from Australia. These exports were worth $A839 million to Australia in 2002, and in the lead up to the invasion of Iraq, the government came under strong pressure from farming groups to ensure that this valuable market would not be lost to the US.

The war against Iraq has had a terrible effect on Iraqi agriculture, which was already suffering the effects of the sanctions imposed after the 1991 Gulf War. The UN Food and Agricultural Organisation has recently estimated that in the aftermath of the devastating war, Iraq's agricultural sector will only produce enough cereals, mainly wheat and barley, to meet one-third of the country's needs this year. This shortfall, combined with the general breakdown of social services, has resulted in severe food shortages.

Despite this humanitarian crisis, both the United States and Australia have viewed Iraq's wheat imports as a strictly commercial issue. The US is keen to re-establish the Iraqi market for its own agricultural sector. Before the 1991 Gulf War, the US exported almost one million tonnes of wheat annually to Iraq, and there have been strident calls in America to shut out Australia in favour of its own producers.

Dawn Forsythe, a spokesperson for the US Wheat Associates lobby group, described Australia's desire to maintain its export position in Iraq as "astounding". "We have been forced out of the market based on politics," she claimed, "and [the Australians] seem to want to want to divvy it up based on past sales".

That this view is shared by the Bush administration was indicated by the appointment of Dan Amstutz to lead the agricultural section of the interim administration in Iraq. Amstutz is a former senior executive of Cargill Corporation, the largest grain exporter in the world, and is also the former president of the North American Grain Export Association. The UK-based charity and aid organisation, Oxfam, aptly described placing Amstutz in charge of agricultural reconstruction as "like putting Saddam Hussein in the chair of a human rights commission".

While Australia has been promised an open tender process for the renegotiated wheat contracts, the main concern in Canberra is that the US will undercut Australian farmers through the use of the massive agricultural and export subsidies that prop up America's agricultural sector. Australia's minister for agriculture, Warren Truss, said last month that the government was "concerned about the US's use of a mixture of aid and commercial services to break into new markets. We would expect the US to respect the markets that we have in Iraq".

Mark Vaile put these concerns to the US Agriculture Secretary, Ann Veneman, when the pair met in Washington. After the meeting Vaile declared: "[W]e've agreed that we expect our respective grain industries and grain traders to operate and compete transparently in markets across the world without intervention or support. And all we expect is [that] they compete in a fair and transparent manner. I made that point to Ann Veneman this afternoon and certainly she agreed that's the expectation on both sides."

This statement was reported in the Australian media as a significant victory for the Australian position, with Washington apparently promising not to allow export subsidies to advantage US producers. American officials, however, quickly scotched reports of this apparent concession. Veneman's press secretary said that no promise had been made and that the subject of trade subsidies "did not come up [during the meeting] at a specific level".

This denial was an embarrassing rebuff for the Australian government. For all the frantic efforts of John Howard and Mark Vaile, the US has consistently refused to make any significant concessions to Australia's commercial interests in Iraq. It remains to be seen exactly how the contracts for Iraqi wheat imports are divided up, but as Charlie Sernatinger, a grain analyst with Chicago's O'Connor & Co., said, the fight for the contracts will be "as ugly a political battle as you're going to see".

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