

Australian Wheat Board implicated in “oil-for-food scandal”

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Australian Prime Minister John Howard announced on October 31 that an inquiry will be held into the Australian Wheat Board's (AWB) payment of \$US222 million in kickbacks to Iraq's former ruling Baath Party. The announcement followed the publication of the US-instigated Volcker report into alleged corruption in the UN-supervised “oil-for-food” program.

More than 2,200 international companies were involved in the payment of a total of \$US1.8 billion in bribes and kickbacks to the former Iraqi government. The AWB was the single largest company involved, contributing 14 percent of the total. Evidence indicates that senior government ministers and the Department of Foreign Affairs and Trade were probably aware of the AWB's actions, but chose not to investigate. The Howard government turned a blind eye even as it ratcheted up its rhetoric against the Hussein regime in 2002 and 2003, in preparation for its participation in the US-led invasion of Iraq.

The Volcker report found that from 1999 to 2003, the Iraqi government demanded that the AWB pay an annual fee to a Jordanian-based trucking company, Alia, supposedly for transportation of the wheat. As the report states: “Alia was owned partly by Iraq's Ministry of Transportation and acted as a collection agent for the Government of Iraq's inland transportation payments from humanitarian goods suppliers. Transportation of goods from [the southern Iraqi port of] Umm Qasr to inland destinations in fact was provided by Iraqi government employees, not by Alia, and AWB's payments to Alia were tantamount to payments to the Government of Iraq for nominally the provision of inland transportation services.”

The payments violated the UN-enforced sanctions regime against Iraq, which barred any direct financial transactions between the Iraqi government and international companies involved in the oil-for-food program. The Independent Inquiry Committee chairman, Paul Volcker, found no direct evidence that the AWB knew that Alia was not actually transporting wheat, or that its payments were going to the Iraqi government. He did, however, insist that “numerous documentary and circumstantial warning signs placed at least some employees of AWB on notice that payments to Alia may have been illicitly funding the Iraqi regime.”

The AWB did not enter into a formal contract with Alia and never engaged in any negotiations over the price and terms of the deal. The Iraqi government simply demanded the charge and the AWB paid up. The charge was nominally set at \$US14-\$15 per

metric ton of wheat in 2000, which then escalated to \$US45-\$56 per metric ton between 2001 and 2003.

The AWB insists that it did not know that Alia was a front company used to channel money to the Baath Party. This has been challenged by Alia's managing director, Othman Al-Absi. “The Iraqi government told the AWB in 1999 that it should pay these fees for the wheat it was selling under the oil-for-food program,” he told the *Australian*. “The contract was not with [Alia], it was between Iraq and the AWB. We were just to collect the fee... We kept a small percentage, and the rest we gave back to the government of Iraq. We had a contract with them, to do that.”

Former AWB Chairman, Clinton Condon, told the *Australian* that he found the AWB's account hard to believe. “If the amounts of money that are being quoted in the paper (are correct), the quantum of money—it seems hard to think that someone didn't know it wasn't just paying for freight.”

Howard insisted that no one in his government was aware of the AWB kickbacks, and declared the incident “quite unacceptable”. In October 2000, however, the wheat board had asked the Department of Foreign Affairs and Trade (DFAT) if the terms of the sanctions regime permitted it to enter into contracts with unnamed Jordanian trucking companies. Within three days of the enquiry, DFAT advised that it could see “no reason from an international legal perspective” why it could not go ahead. No further enquiries were made into the matter—despite the fact that in January 2000 a UN customs expert had advised Australian diplomats that Canadian wheat exporters were being asked to pay kickbacks to the Iraqi government, nominally for transport costs.

At least one government minister was aware of the AWB's involvement in wheat transportation in Iraq. In October 2003 Trade Minister Mark Vaile told Channel 7: “Not only does the AWB supply the wheat and sell the wheat to the Iraqis through the UN oil-for-food program but they also have the unloading and distribution network within Iraq.” Vaile has denied any knowledge of AWB payments to Alia, but has not explained his 2003 comments.

The affair has again demonstrated the Howard government's rank hypocrisy. Irrespective of exactly what was known within the government and the foreign service about the AWB's dealings with the Hussein regime, all the evidence suggests that no Australian official was interested in probing the issue. Despite preparing for war against Iraq, the government had no desire to interfere with Australian agribusinesses' lucrative wheat exports,

which were worth a total of \$US2.3 billion between 1997 and 2003.

Although Howard has announced an inquiry into the AWB affair he has narrowly defined the terms of reference in order to exclude the actions of the government and DFAT from investigation. The inquiry is driven by a concern to limit the fall-out from the Volcker report. The US grain lobby Wheat Associates has demanded that the AWB be suspended from trading in American markets until a full investigation is carried out. The lobby group has also repeated the long-standing demand of US wheat growers that the AWB's export monopoly be terminated.

The US and Australia are engaged in fierce competition over the spoils of war in Iraq's agricultural sector. American agribusiness is determined to achieve a dominant position in the Iraqi market, from which it was shut out after the 1991 Gulf War. Under the oil-for-food program, Australia supplied two-thirds of the three million tonnes of wheat imported by Iraq annually.

In the early stages of the occupation, the US-installed Coalition Provisional Authority permitted Australia to maintain this dominant status. This was widely interpreted as a reward granted by the Bush administration to the Howard government for its participation in the war. But the powerful US agricultural lobby reacted furiously.

Last month, Iraq's deputy prime minister Ahmed Chalabi announced that the US had won a contract for the sale of one million tonnes of wheat. While Chalabi maintained that the US won the deal after submitting a more attractive tender than Australia's, there is no question that political calculations were involved in the decision. According to the Dow Jones newswire, former trade minister Muhammad al-Juburi referred to "hidden forces" who did not want to see the resumption of a successful wheat trade relationship between Australia and Iraq.

Last Saturday, the *Australian* reported that Chalabi had ordered the suspension of wheat imports from Australia until a thorough investigation was concluded and "compensation" paid to the Iraqi government. Today, however, Foreign Minister Alexander Downer announced that he had received assurances from Chalabi that there would be no halt to Australian wheat imports. The question of whether the Iraqi government will seek recompense for the AWB's payment of kickbacks remains unclear.

The opposition Labor Party has demanded that a royal commission investigate the AWB's oil-for-food dealings. "The effect of what has happened with 300 million [Australian] dollars going into the pockets of the Baath Party and now into the pockets of the insurgents means that the Australian soldiers in Iraq are effectively dodging bullets that have been paid for indirectly by us," Labor leader Kim Beazley declared. "That is just not acceptable."

Kevin Rudd, shadow minister for foreign affairs and international security, labelled the AWB's payments "Saddam's \$300 million Aussie Slush Fund", and described the incident as "one of the biggest scandals to hit the Howard government".

Labor's histrionics are aimed not at clarifying the real issues raised in the AWB affair, but rather at demonstrating its "national security" credentials. Beazley's expressions of concern for "our troops" are, in fact, directed toward advancing Labor's claim to be

a more effective prosecutor of the international interests of Australia's ruling elite.

Labor's position constitutes a diversion from the critical questions posed by the Iraq war. The opposition's demand for a royal commission provides a useful cover for its refusal to issue any principled criticisms of the war. Australia's participation in the illegal occupation of Iraq, unlike the AWB affair, is a genuine crime of historic proportions.

For all the discussion regarding the AWB and the "oil-for-food scandal", no one has criticised the UN-sanctions regime itself, which was supported by both Labor and the Coalition. The embargo of Iraq amounted to a decade-long provocation that provided cover for near-constant US bombing attacks in the 1990s and early 2000s. The sanctions prevented numerous essential items, including medicines, from reaching the Iraqi people, directly leading to the deaths of hundreds of thousands, including children.

As James Dobbins, director of the International Security and Defense Policy Center at the RAND Corporation, has stated: "It was well known by everyone, including the US government, that the [sanctions] system as constructed invited kickbacks." Moreover, it is widely known within the media and political circles that transnational companies are routinely involved in the payment of bribes and kickbacks to governments around the world.

The Volcker report was engineered by virulently anti-UN figures within the Bush administration for their own political purposes—namely to discredit the UN and its secretary-general, Kofi Annan. The largely incidental revelations of the dealings of mostly non-American companies in Iraq—such as the AWB, Volvo, Siemens, and DaimlerChrysler—are now being exploited by the Bush administration to help secure for American firms the most lucrative contracts currently being negotiated with the Iraqi quisling regime.



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