Cut-throat wheat war behind Australian "oil-for-food" scandal

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The ever-more strident demands by major American wheat producers and their representatives in the US Congress for action against the Australian wheat marketing agency AWB make clear the motivating factors behind the inquiry organised by the Howard government into the so-called oil-for-food scandal.

The inquiry was convened to try to deflect pressure from US wheat interests which have been engaged in cut-throat competition against Australian exporters for the Iraqi market before, during and after the US-led invasion in March 2003. But this manoeuvre has failed, as the public release of documents and evidence exposes the complicity of senior AWB and federal government officials in the payment of almost $300 million in bribes and kickbacks to the former government of Saddam Hussein.

Two weeks into the inquiry, there is little doubt that senior government ministers, including Prime Minister John Howard, either had direct knowledge that AWB was involved in negotiating wheat export deals with Iraq in violation of the United Nations sanctions regime, or at least turned a blind eye to its operations.

It has also revealed the cynicism and hypocrisy that are the hallmark of the Howard government. While repeating ad nauseam all the lies of the Bush administration concerning Iraqi weapons of mass destruction, Baghdad's connections with Al Qaeda, and the refusal of the Hussein regime to adhere to UN resolutions, the Howard government sanctioned AWB's operations aimed at bypassing the UN so that Australian wheat producers grabbed the largest share of the lucrative Iraqi wheat market.

Exposure of the lies that provided the pretext for the war has seen the Howard government echo the Bush administration's subsequent justification of the illegal invasion on the grounds that it removed a dangerous regime and brought democracy to Iraq.

While the justifications and propaganda might have changed, the material economic interests underlying Australian participation have remained constant. Support for the invasion was driven primarily by Canberra's determination to secure US backing for its imperialist interventions in the Asia Pacific region and to secure immediate Australian economic interests in Iraq. Howard knew that if Australia did not contribute troops, American wheat farmers would dominate the Iraqi market after the overthrow of the Hussein government.

The initial efforts at keeping US and Canadian exporters at bay proved successful, but they have now struck back.

The inquiry into the scandal, which opened on January 20, follows last year's release of the Volcker Report into alleged corruption within the "oil-for-food" program supervised by the United Nations between 1996 and 2003. This investigation was driven by the hostility of sections of the US Republican Party to the UN and its secretary general Kofi Annan.

AWB was the largest single source of bribes and kickbacks paid to the Iraqi regime. The wheat exporter paid more than $290 million to a Jordanian trucking firm, Alia, which acted as a front company for Baghdad. This money secured Iraq as a key AWB export market that was worth $US2.3 billion between 1997 and 2003.

The government narrowly framed the inquiry's terms of reference in order to deflect any scrutiny of the role played by senior ministers and the Department of Foreign Affairs and Trade (DFAT).

Over the past two weeks, however, a steady stream of incriminating documents has come to light. AWB's denial that it knew its payments to Alia were going to the Hussein government has been proven to be a lie. A number of AWB executives and employees are likely to face criminal charges.

The inquiry has further established that government ministers, including Howard, and DFAT closely monitored the wheat exporter's operations in Iraq.

Many of the inquiry's revelations have centred on events in mid-2002, when the Iraqi government threatened to halve its imports of Australian wheat, turn back container-loads of grain already docked in southern Iraq, and renege on a $500 million debt for past deliveries.

The official investigation has revealed that Howard sent a letter to AWB chief executive Andrew Lindberg after he learned of this threat. "In view of the importance of the matter," Howard wrote, "I suggest that the government and AWB Limited remain in close contact in order that we can jointly attempt to achieve a satisfactory outcome in the longer term."

An Iraqi decision in 2002 to suspend Australian wheat imports would have sparked a political crisis for the Howard government. It was playing a delicate balancing game in the lead up to the invasion. The government was desperate to maintain Australia's established economic interests in Iraq, while simultaneously eyeing the potential for further investment opportunities in a US-occupied Iraq.

Shortly after receiving Howard's letter, AWB senior executives flew to Baghdad. They gave in to an ultimatum from the Iraqi trade minister, who demanded a $US2 million bribe for the

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resumption of Australia's wheat exports. The payment was concealed in the form of an inflated contract for future wheat sales. Senior ministers, including Howard and Trade Minister Mark Vaile, then publicly congratulated the AWB executives for their work.

Despite the release of the incriminating letter, Howard continues to insist that he never had any knowledge of AWB's kickbacks to the Iraqi government. Vaile and Foreign Minister Alexander Downer have issued similar denials. Canberra insists that it accepted AWB's 2002 public statement that the Iraqi trade minister had abandoned his threat to cut exports "out of respect for Australian farmers".

This is the government's standard modus operandi for handling embarrassing exposures of its lies—feign ignorance and, if necessary, scapegoat public servants or low-ranking staffers.

This stance is becoming increasingly untenable, however. It was common knowledge among those who had any involvement with Iraqi oil-for-food operations that widespread corruption occurred. In January 2000, a UN customs expert advised Australian diplomats that Canadian wheat exporters were being asked to pay kickbacks to the Iraqi government, nominally for transport costs. Ten months later DFAT advised AWB that there was no legal problem with their contract with the Jordanian trucking company.

One week after the invasion of Iraq in March 2003, Howard condemned the Hussein government for taking bribes. "The oil-for-food program has been immorally and shamefully rorted by Saddam Hussein, who has used the proceeds of it to acquire his weapons capacity and support it."

The fierce competition between US and Australian wheat exporters, which has fuelled the AWB scandal, goes back almost 15 years. US agribusinesses were locked out of Iraq after the 1991 Gulf War, and they demanded that the Bush administration grant them a cut of the market after the invasion. Washington, however, decided not to immediately challenge AWB's dominant position and existing contracts were maintained.

In what was widely recognised as a pay-off for Canberra's support for the war, two former AWB executives were appointed to the Coalition Provisional Authority (CPA), which oversaw the initial stages of the occupation. Former AWB chairman Trevor Flugge was appointed the CPA's "senior advisor" for agriculture, while another ex-executive, Michael Long, joined the CPA under an AusAID program.

American wheat exporters have since gone on the offensive. US agribusinesses are using the AWB scandal to try to shut Australia out of the Iraqi market. Last October, then Iraqi Deputy Prime Minister Ahmed Chalabi announced that Australia had lost out to US growers for a contract to import one million tonnes of wheat. Former trade minister Muhammad al-Juburi reportedly referred to "hidden forces" who did not want to see the resumption of a successful wheat trade relationship between Australia and Iraq.

The purchase of US wheat represented a shift. In late 2004, Australian ambassador Michael Thawley managed to defuse a US move against the AWB over its kickbacks. In October of that year Australia won a contract to export a million tonnes of wheat to Iraq.

US wheat growers, who found it impossible to gain the same access to key Iraqi officials as AWB had, pressed Washington to investigate long-standing allegations of AWB corruption. Thawley successfully lobbied Senator Norm Coleman, chairman of the Senate permanent sub-committee on investigations, to drop the matter.

This decision was another US quid pro quo for Australia's participation in the war. As the *Sydney Morning Herald* reported: "[T]here was also a meeting involving Australian government officials and the Senate committee staffers during which the US-Australia alliance and Australia's role in the 'coalition of the willing' was raised."

The Howard government had hoped that the Australian inquiry now under way would deflect pressure from American farmers and allow it to draw a line under the affair. Clearly, however, while the Bush administration kept the US wheat lobby in check in the months following the Iraq invasion, no such restraint is evident today.

Senator Coleman wrote a letter this week to Thawley demanding he make himself available to clarify his actions in 2004, implying that the ambassador had misled him. In the letter, the senator claimed that foreign affairs officials "were aware of, and complicit in the payment of illicit kickbacks". Howard has demanded an apology. "Let's not get starry-eyed about the Americans," he declared. "They're going in hard to protect their commercial wheat interests."

Coleman also backed the demand of seven Democratic senators who have urged Washington's Agriculture Secretary Mike Johanns to suspend AWB's access to US export credit programs. In their letter, the senators questioned whether the Australian inquiry was "sufficiently independent of the current government of Australia to be entrusted to investigate the matter". The letter provoked a retort from inquiry head Terrence Cole defending the independence of the Australian judiciary.

Major newspapers—including the *Australian*, *Sydney Morning Herald* and the *Age*—have called for the inquiry's terms of reference to be expanded to allow the government's role in the affair to be investigated. While ministers in Canberra and officials in Washington have been quick to declare that the scandal will not damage relations, it is obvious that the Bush administration's failure to rein in the wheat lobby, as in the past, has created a major embarrassment for Howard that could destabilise his government.

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