

Australia: Labor attacks Howard from the right over “oil-for-food” scandal

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In times gone by an opposition party would have seized on the revelations coming every day from the Australian inquiry into the so-called Iraqi wheat scandal to expose the lies and hypocrisy on which the Howard government justified its participation in the US-led war on Iraq. There would have been calls for the sacking of ministers, and even the ousting of the government. But such is the internal decay of the Labor Party that its intervention at Tuesday's opening of the parliamentary year barely caused a ripple.

Speaking at the National Press Club last week, Labor leader Kim Beazley had promised the “most aggressive parliamentary interrogation” the government had experienced in its decade in office, declaring that the Australian Wheat Board (AWB) affair typified the “immorality and corruption besetting this government”.

But when parliament convened, the best the Labor Party could muster were accusations of “gross negligence” and “failure to investigate” while committing itself to “hold it [the government] accountable for the remainder of this parliament.” The reason the ALP could lay a hand neither on Howard nor any of his ministers lies in its fundamental support for the invasion of Iraq and the continued occupation of the country.

Documents produced at the wheat scandal have revealed, at least partially, some of the sordid motives for the war. At the same time the Howard government was attacking the Saddam Hussein regime for refusing to comply with UN sanctions—citing this as a reason for military action—the Australian wheat marketing agency was funneling hundreds of millions of dollars to the Iraqi government in defiance of UN sanctions in order to secure lucrative contracts.

The Australian Department of Foreign Affairs and Trade (DFAT) approved 41 AWB contracts worth \$2.29 billion through the “oil-for-food” program before the US-led invasion of Iraq in 2003. By charging up to \$US50 a tonne higher than international market prices, the AWB transferred \$290 million to the Iraqi regime, thinly camouflaged as trucking fees paid to a Jordanian-Iraqi transport company, Alia.

The payment of the fees was the result of the efforts of the AWB to protect its revenues from the US wheat lobby, which was determined to establish a stranglehold over the multi-billion Iraqi market. The scandal is therefore intimately bound up with the real motivations for the invasion of Iraq—namely, the drive to secure resources and markets.

But so determined was Labor leader Beazley to avoid any mention of such matters that in his motion to censure the Howard

government he even went so far as to regurgitate the now proven lies about weapons of mass destruction being the reason for the war. The \$300 million in bribes paid by the AWB “went to pay for Saddam Hussein's research effort into weapons of mass destruction—that is absolutely clear,” he declared.

Beazley also asserted that the money went to arm Iraqi troops and “Fedayeen insurgents” who were “killing and maiming thousands of Americans and thousands of Iraqis” and could “mount attacks on Australian soldiers now serving in Iraq”—a comment that simply served to underscore Labor's continuing support for the criminal occupation of Iraq, and the brutal suppression of all resistance to the invasion.

Beazley's claims were characteristic of Labor's entire line: to criticise the government from the right. He castigated it for undermining the war effort, damaging the US alliance and harming the “national interest” by not properly investigating the bribery allegations against the AWB from 2000, when complaints were first made by US and Canadian wheat exporters. The Labor leader condemned the government for aiding the “enemy,” warned that the US would be “completely unforgiving” if the current royal commission failed to be an adequate inquiry, and criticised Howard, Foreign Minister Downer and Trade Minister Vaile for failing to protect Australia's reputation, security and other national interests.

But while the Howard government had little to worry about on the parliamentary front, incriminating evidence has continued to emerge from the official hearings. One email tendered to the inquiry recorded a meeting between Vaile, who is also deputy prime minister and National Party leader, and two corporate executives linked to the illegal kickbacks. In the email dated September 15, 2000, Norman Davidson Kelly, a former executive of BHP, told AWB rural services manager Charles Stott it had been “good to see you” and Vaile in Melbourne the day before.

The email directly implicates Vaile because Davidson Kelly's company Tigris Petroleum was seeking help from AWB and the government to recover a debt it had inherited from BHP, a major Australian mining and oil company. In 1995, BHP, which was seeking access to Iraq, sent a wheat shipment to Iraq in breach of UN sanctions but could not recover the \$US5 million that Baghdad had agreed to pay. In the end, AWB agreed to inflate prices on wheat contracts in 2002 and 2003 to repay the money to Tigris.

In another revealing development, Stott told the Cole inquiry that he had written to a senior DFAT official, Jane Drake-Brockman, to

obtain approval for the “trucking fees” that AWB was paying to Alia. “Drake-Brockman told me that DFAT had looked into Alia,” Stott said in his statement. This evidence directly contradicts claims by Foreign Minister Downer that DFAT, his department, knew nothing of the bribes being paid via Alia.

A further damning document, an email from AWB executive Dominic Hogan to senior AWB management in August 2001, showed that AWB knowingly relied on Alia’s close personal ties with Saddam Hussein. Hogan, one of three AWB whistleblowers testifying at the inquiry, described how Alia general manager Othman al-Absi raised AWB’s concerns about delays at port with the Iraqi leader. It seems that Saddam Hussein valued the AWB kickbacks sufficiently to order an immediate halt to the holdups. “President ordered all outstanding vessels to be discharged and situation fixed,” Hogan’s email recorded.

The Howard government intended the Cole inquiry to be a political whitewash, setting terms of reference that prevented it from investigating the role of government ministers and officials. Nevertheless, a mountain of evidence has been placed before the inquiry indicating that senior government ministers, including Howard, Downer and Vaile, either knew about the AWB payments or at least tacitly gave the green light for such arrangements. It has been proven, for example, that questions about the AWB’s conduct were officially brought to the government’s attention on seven occasions.

It is an old and valuable political rule of thumb that whenever a scandal breaks out over morality and corruption it is wise to start looking for the money trail. And so it has proved in this case. The AWB inquiry was convened by the Howard government in order to try to deflect pressure from US wheat producers angered by the way Australian interests had grabbed a large slice of the Iraqi market.

But rather than placate them, the initial revelations at the inquiry only whetted their appetite, leading to accusations by US Senator Norm Coleman of a cover-up by the Australian government. Such accusations, if pursued, would have put Australia-US relations under strain. It now appears that some rapid diplomatic action has been taken to try and remove some of the heat from the conflict.

After protests and representations from Howard, Coleman has pulled back from threats to reopen his Senate subcommittee’s investigation into the AWB’s role in the oil-for-food program. Coleman had earlier written to Michael Thawley, a former Australian ambassador to Washington, to ask him why he told the subcommittee to ignore media reports of illicit AWB activities.

Coleman said he was now satisfied with the progress of the Cole inquiry and the responses of the Howard government, describing them as “very positive”. In doing so, he indicated that he had pulled back in the interests of the close ties between Washington and Canberra. “The United States and Australia have a good relationship, a strong relationship. I want to continue that,” he said.

It seems that the Bush administration has intervened to protect the Howard government, which is still regarded as a valuable asset in the pursuit of the global interests of US imperialism. Further evidence of such an intervention is the fact that on the same day Coleman signaled his shift, the White House announced that

Secretary of State Condoleezza Rice, who cancelled a trip to Australia last month in a perceived snub, would visit the country in March. There was also speculation that Rice would nominate a new ambassador to Australia, after leaving the post vacant for more than a year.

At the same time, the US government is maintaining pressure on the AWB issue. Coleman left open an implicit threat to reactivate his campaign against the AWB if he were not satisfied with the outcome of the Cole inquiry. “I obviously have deep concerns about the AWB,” he said, “this is an organisation that’s been paying kickbacks to Saddam Hussein. That’s troubling to me, but I will await the results of the Cole inquiry.”

Coleman’s shift was endorsed by Dawn Forsyth, spokeswoman for US Wheat Associates, which represents most American wheat growers. She commented: “American wheat farmers have waited two years for the truth to come out on this, so we can wait for another two months.” For now, the American wheat lobby is satisfied that the damage done to the AWB has helped US firms win front-running for the latest one million tonne Iraqi wheat contract. Iraqi officials have said that the AWB is likely to be excluded from the tender because of its past conduct.

A US Trade Representatives Office official reiterated that the Bush administration still wanted the abolition of the AWB’s export monopoly, a demand that has been raised by the US wheat lobby since the 1990s. US officials intend to raise the issue at the next round of World Trade Organisation talks to be held in Geneva next week.

In an indication of a possible trade-off, Howard said his government was prepared to review the AWB’s monopoly in return for US moves to reduce subsidies for its wheat producers. Such a change, however, would aggravate tensions in Howard’s coalition with the rural-based National Party, which insists that the “single export desk” policy must remain. The Nationals badly need to retain support among the country’s 32,000 grain farmers, whom the AWB pays a premium of about \$13 a tonne for their wheat.

Even if Howard rules out immediately scrapping the AWB monopoly, the survival of the organisation, now a privatised company, AWB Ltd, is in question. Its share price has plunged by 35 percent since the Cole inquiry opened on January 16, over concerns that US and other exporters will take advantage of the damage to AWB’s reputation to poach some of the company’s 15 percent share of the world market.

Regardless of the assistance Howard is getting from Washington and the Labor Party, the AWB scandal still has the potential to seriously damage the government, especially if documentary evidence emerges to contradict the statements to parliament by Howard, Vaile and Downer that they had no knowledge of AWB’s kickbacks.



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