

The Australian Wheat Board scandal and the Iraq war

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After seven weeks of damning evidence from the Howard government's Cole inquiry, the real issue in the scandal over the Australian Wheat Board's payment of \$300 million worth of bribes to Saddam Hussein's regime is not whether Prime Minister John Howard and his ministers knew about the kickbacks. That has certainly proved to be the case.

Testimony and documents presented to the inquiry have revealed nearly 20 occasions on which Australian Wheat Board (AWB) executives and various officials told senior government ministers or their advisors of the payments. Last week came the most incriminating document so far—a now-declassified secret cable sent from a Department of Foreign Affairs and Trade (DFAT) officer attached to the UN in New York warning that AWB had been asked by Iraq to pay “port fees” of 50 US cents a tonne and that such fees would breach UN sanctions.

Sent in April 2001, the cable was addressed to Prime Minister John Howard, Foreign Minister Alexander Downer, Trade Minister Mark Vaile and a raft of senior public servants from the Defence Intelligence Organisation and several government departments, including Defence and DFAT. The briefing, which the government deliberately hid from the public for five years, made clear that the illegal “port fees” was “linked to wider concerns about circumvention of the sanctions regime”.

Yet Howard, after initially saying last week he did not recall seeing the cable, then declared there was nothing in it that should have raised alarm bells in his office. He also insisted that the cable did not actually prove that the government knew illicit payments were being made. The truth is that Howard and his ministers had no intention of doing anything that would jeopardise lucrative Australian wheat sales to Iraq.

Howard's response is in line with his government's standard *modus operandi*—leave the implementation of the government's dirty work in the hands of senior officials (in this case AWB executives) and make sure that no paper trail is left of its involvement. Responsibility can then be denied on the basis that government ministers knew nothing.

Whatever evidence ultimately emerges, the real issue in the AWB case—on which the mass media is totally silent—is what it further demonstrates about the utter hypocrisy behind the official fabrications brought forward to justify the invasion and occupation of Iraq. All the time that Canberra was falsely accusing Saddam Hussein of breaching UN resolutions, it was systematically violating the UN oil-for-food program to maintain its long and

profitable relations with the Baghdad government.

For the Howard government (like the Hawke Labor government in the first Gulf War of 1990-91), the paramount consideration in joining the Iraq war was securing the strategic, diplomatic and commercial interests of the Australian corporate elite. That meant, first and foremost, lining up closely with the United States, the military and economic power on which Australian ruling circles have relied for protection since World War II. But it also meant grabbing every possible slice of the lucrative Iraqi cake—oil rights, construction contracts and agricultural markets—sometimes in fierce competition with US rivals.

As the *World Socialist Web Site* reported in May 2003, as soon as US-led troops took control of Baghdad the Howard government moved to claim the rewards of its participation in the illegal invasion. In late May 2003, Trade Minister Vaile led a delegation of executives from 10 major Australian construction, engineering, and oil and gas companies to the US for talks with American officials and corporate executives.

The delegation, which included senior figures from BHP, Santos, Multiplex, Clough Engineering, Australian Power and Water, and Woodside Petroleum, held discussions with American firms awarded reconstruction contracts from USAID (Agency for International Development). Vaile was quite unabashed about the money-making prospects. “Ultimately there's going to be billions of dollars spent in the whole rehabilitation and reconstruction process,” he noted.

When it came to wheat, the government was under strong pressure from Australian farming groups to ensure that the valuable Iraqi market was not lost to the US. Before the first Gulf War, the US exported almost one million tonnes of wheat annually to Iraq, but these shipments were cut off under the sanctions imposed on Baghdad. Australian growers then took advantage of the 1996 oil-for-food program to recapture two-thirds of the Iraqi market, worth \$A839 million to Australia in 2002.

For all the cynical rhetoric about rebuilding Iraq and establishing democracy, the US-installed Coalition Provisional Authority (CPA) was largely concerned with carving up the spoils of war, while it suppressed resistance to the occupation. When the Bush administration appointed Dan Amstutz, a former senior executive of Cargill Corporation, the largest grain exporter in the world, and former president of the North American Grain Export Association, to lead the CPA's agricultural section, the Howard government countered by nominating two senior AWB executives.

Both the Australian appointees—former AWB chairman Trevor Flugge and AWB executive Michael Long—had been in leading positions in the AWB when it paid bribes to the Saddam Hussein regime. Their top priority in occupied Iraq was to make sure that outstanding contracts worth more than \$US250 million signed by the AWB before the invasion were honoured and that the AWB retained its place in the Iraqi market.

Their activities extended to Long using his posting at the Iraqi Ministry of Trade to save the position of Yusef Adbul Rahman, the former head of the Iraq Grains Board with whom the AWB had arranged its previous kickbacks. With the help of the Australians, Rahman survived the initial “de-Baathification” drive by the US to purge the Iraqi administration of all Baath Party officials.

Howard was fully aware of the purpose of the tasks undertaken by his representatives. He admitted in parliament last week that Flugge was sent to Iraq “because our principal concern at that time was to stop American wheatgrowers from getting our markets”.

It is little wonder that the Howard government, through its aid agency AusAID, paid Flugge almost \$1 million for his eight-month stay in Iraq. The stakes were high, with nearly \$US10 billion in contracts, including the wheat deals, up for renegotiation by the CPA.

AWB contracts worth about \$US270 million were directly threatened by a June 2003 memorandum that went around all Iraqi ministries asking them to “identify which [food-for-oil] contracts have a kickback or surcharge (often 10 percent)”. Documents unearthed in the Iraqi ministries after the invasion had confirmed in detail the kickbacks paid to the old regime disguised as “trucking fees”, “port charges”, “after sales service fees” and “surcharges”.

The last two contracts that AWB signed before the war contained the biggest kickbacks of all, worth a total of about \$US73 million: \$US45.50 per metric tonne for “trucking fees” and another 10 percent “surcharge” of the whole value of the contract. In part, these contracts were designed to siphon a further \$US8 million out of the UN-held funds and deliver it to Tigris Petroleum, a company linked to BHP, one of Australia’s largest transnationals, which had sent wheat shipments to Iraq in breach of UN sanctions in 1995, seeking to secure oil drilling concessions.

One exchange of correspondence about these contracts illustrates the intimate relationship between the AWB and the government. For the record, DFAT, which reports to Foreign Minister Downer, wrote to the AWB in mid-2003 asking politely for comment on the Baghdad documents showing the extent of the AWB and other bribes. AWB executive Chris Whitwell replied by asking for the department’s assistance to get the contracts honoured as a payoff for joining the “Coalition of the Willing”. He asked: “Not too much to ask for a Coalition member?”

But in September 2003, a report by the US Defence Contract Audit Agency cited evidence that “illicit surcharges/kickbacks were standard practice for oil-for-food contracts”. The report named Australia and estimated “overpricing” in one AWB contract at nearly \$US15 million. The US wheat lobby then launched a letter-writing campaign to President Bush and other politicians, charging that “AWB reaped an additional \$US56 million gold mine at the expense of the Iraqi people, on top of their

already excessive prices”.

Nevertheless, with the help of the Howard government and its representatives in Baghdad, the AWB managed to salvage its contracts. UN World Food Program authorities inflicted a 10 percent cut of \$US27 million but allowed the \$US45 million worth of “trucking fees” to survive. When AWB managing director Andrew Lindberg announced in September 2003 that the million-tonne shipments were finally going ahead, he gave “great credit to the unfailing support and assistance from ministers Vaile and Downer, officials from the Department of Foreign Affairs and Trade, and international government representatives”.

The wheat, paid for by the World Food Program, was shipped to Iraq throughout the following year, while AWB executives put aside a share of the proceeds for Tigris. Thus, with the government’s “unfailing support and assistance”, AWB not only salvaged its own contracts but also recovered the cash that BHP spent in its 1995 bid to evade the UN sanctions.

This sordid episode sums up the essential character of the AWB’s dealings in Iraq. It was an operation backed at the highest levels of the Howard government to ensure that AWB and other major Australian companies profited, at the expense of the misery inflicted on the people of Iraq by two US-led wars.

Throughout the 1990s, Australian naval ships, aircraft and troops helped enforce the sanctions that caused widespread starvation in Iraq, leading to an estimated two million deaths. After 1996, once these sanctions were modified to permit profitable “oil-for-food” deals, the Howard government was among the first in line to collaborate with the Baghdad regime, via the AWB, even as it prepared to go to war against Iraq. Having joined the invasion, Howard and co did not skip a beat—their immediate concern was to secure the contracts that AWB had signed with the ousted regime.



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