

Australian Wheat Board inquiry: a threadbare whitewash

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As intended, the Howard government's official inquiry into the payment of bribes by AWB Ltd, formerly the Australian Wheat Board, to the Saddam Hussein regime produced a whitewash report late last month, designed for several key purposes.

First and foremost was the need to clear Prime Minister John Howard and his leading ministers of any political or criminal responsibility. Another critical concern was to fend off US agricultural interests that are demanding the dismantling of the AWB's wheat export monopoly as part of a cutthroat trade war. Yet another necessity was to prevent any examination of the motives behind Canberra's participation in the US occupation of Iraq.

In an obvious act of scapegoating, inquiry commissioner Terence Cole singled out 11 former AWB executives and one ex-BHP executive for blame and possible criminal prosecutions. The mass media immediately did its best to assist this diversionary exercise by dubbing the 12 individuals the "dirty dozen" in newspaper headlines around the country.

Cole, a trusted lawyer who had previously conducted a witchhunting inquiry against building workers for Howard, attributed the payment of nearly \$A300 million in kickbacks under the UN's 1996-2003 so-called oil-for-food program solely to a handful of individuals. He claimed that their behaviour arose from a "closed culture of superiority and impregnability" produced by AWB's 67-year monopoly over Australian wheat exports.

Yet it is obvious that the AWB's "unethical" policy in Iraq—described by Cole as "do whatever is necessary" to retain the \$500 million annual wheat sales—was precisely the Howard government's policy. The mountain of documents tabled at the inquiry confirm that the AWB, which was a government agency until it was privatised in 1999, continued to operate—and receive Canberra's protection—as a virtual arm of the Howard government throughout the lead-up to the March 2003 invasion of Iraq.

The real crime was not the alleged breaking of UN sanctions by AWB and many other companies, but the sanctions regime itself that led to the deaths of hundreds of thousands of Iraqis. Washington insisted on maintaining the sanctions via the UN "oil for food" scheme as a means of preventing its European

and Asian rivals from securing control over Iraqi oil fields. Amid continuing pressure to lift the sanctions, the US toppled Saddam Hussein to subjugate the country and its resources as part of broader ambitions to establish US dominance throughout the Middle East.

Australia's participation in the war was driven by equally predatory considerations. Above all, it sought to reinforce the US-Australia strategic and military alliance and thus secure Washington's backing for Australia's own neo-colonial interventions in the Asia-Pacific region. It was also seeking to preserve Australia's grip over the multi-million dollar Iraqi wheat trade, against its US and Canadian challengers.

Documents released by the Cole inquiry just days before its final report reveal that the Howard government and the AWB were deeply concerned about the impact of the impending war on Australian wheat exports. More than a year before the war, one of the government's most senior diplomats, UN ambassador John Dauth, tipped off AWB chairman Trevor Flugge—one of the so-called "dirty dozen"—that Australia would join a US-led invasion.

Clearly, with an invasion looming, one of Canberra's quandaries was how to shield Australia's wheat trade. Dauth promised Flugge that he would ensure AWB had "as much warning as would be possible" of the war, so that it could cover its tracks on its dealings with the Saddam Hussein administration and prepare to deal with a US-led occupation.

It is worth noting that Dauth's briefing of Flugge, recorded in confidential AWB board minutes for February 2002, contradicts all the claims made by Washington and Canberra that no decision was made to invade Iraq until early 2003, when the pretext was that Iraq had blocked effective UN weapons inspections. With remarkable accuracy, he predicted that the Iraq regime's offer to invite UN weapons inspectors to return was likely to stave off US action for only 12 to 18 months.

Both Howard and his foreign minister, Alexander Downer, sought to dismiss Dauth's comments as purely his own opinion at the time, with Downer claiming that any other interpretation was "an old crackpot conspiracy theory". Given Dauth's seniority and Flugge's close relations with the government, these denials are just as implausible as its claims to know nothing about the AWB's dealings with the Hussein

regime.

Immediately after the invasion, the government nominated Flugge to a post in the US occupation regime, the Coalition Provisional Authority, and he took more than \$1 million in cash to Baghdad as part of his mission to protect Australian wheat sales. (The government also exempted Flugge and former AWB marketing chief, Michael Long, from paying tax on their salaries in Iraq, which in Flugge's case amounted to nearly \$1 million.)

Howard set up the Cole inquiry late last year as a damage control measure following an investigation of the UN Oil-for-Food Program by former US Federal Reserve chairman Paul Volcker. Volcker's probe was driven by White House hostility to the UN and its secretary-general Kofi Annan, who were hypocritically accused of corrupt dealings with Baghdad. The allegations also provided a means of further prosecuting US interests in Iraq itself, against commercial competitors, including Australian grain exporters.

Howard and Downer immediately presented Cole's report as proof of their innocence, and boasted of having convened the only "transparent" inquiry in the world into the "oil-for-food" scandal. In reality, Cole's terms of reference were narrowly confined to determining whether criminal or civil charges could be laid against AWB and BHP, the giant Australian mining company that became involved in one of AWB's kickback deals, or any of their executives.

As a result, Cole said it was "immaterial" whether the government or its senior officials should have known about the bribes, which were thinly disguised as "trucking fees" to transport the wheat shipped to Iraq. Cole said he had received "no evidence" that cabinet ministers or departmental officers were aware of the illegal payments. This was despite the existence of at least 35 diplomatic cables and other high-level documents warning the government of the kickbacks, or the allegations being made about them by AWB's competitors, notably from Canada.

Even the media has noted the threadbare character of Cole's whitewash. The *Australian Financial Review's* Chanticleer column commented: "The Cole inquiry did the job the government wanted, which was to cast the AWB board and management as failing to create an ethical culture, but in doing so it is surely sheer fantasy to believe that those around it were any better."

The chief concern in corporate circles is that the affair has badly damaged Australian economic and strategic interests, particularly in the agricultural sector. US agribusiness interests are continuing to threaten retaliatory action and sue the AWB for \$1 billion for past losses of Iraqi contracts, unless the Howard government abolishes the "single desk" wheat marketing scheme, through which the AWB controls all wheat exports from Australia, giving it considerable advantages over its US and European competitors.

The issue has opened up divisions in the ruling coalition with

the rural-based National Party. The country's small and medium-sized wheat farmers back the "single desk" policy because it offers a degree of economic security. AWB was set up as a statutory authority in 1939, in an effort to protect smaller farmers in the wake of the Great Depression. It buys up the crop at guaranteed prices, providing immediate part payment and the balance after the wheat is sold.

Outspoken elements within Howard's Liberal Party, echoing the position of the business and media establishment and large wheat traders, have called for the scrapping of the AWB's monopoly. The National Party has vehemently opposed such a move, fearing a farmers' backlash that could decimate what remains of its dwindling electoral base.

Last Monday night, National Party ministers threatened to walk out of a heated cabinet meeting unless the export monopoly remained. Faced with a revolt, Howard opted for a delaying tactic. He announced that legislation would be rushed through federal parliament this week giving AWB's veto power over wheat exports to the agriculture minister—Peter McGauran from the National Party—for six months, pending a review.

The Labor opposition, echoing the mass media, has done its best to smother the implications of the AWB affair. Labor leaders have strictly limited their criticism of the government over the affair to accusations that it was "incompetent" and "negligent" for not detecting the kickbacks.

Most ordinary people simply do not believe that Howard and his ministers knew nothing. According to the latest Fairfax media poll, taken after the Cole report's release, nearly 70 percent of people are convinced that the government knew about the AWB's kickbacks. The AWB cover-up is another of the government's fabrications, like the lies about weapons of mass destruction that were told to justify the invasion of Iraq.

The scandal, however, raises far broader questions about the character of the sanctions regime and the war itself—immense historical crimes in which the entire political establishment is implicated. On these issues, there is a complete silence not only in the inquiry report, but from the Howard government, the Labor opposition and throughout the Australian media.



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