AID WATCH

Action on Aid, Trade and Debt

Determining Their National Interest:

Australia's Economic Intervention in Iraq

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Forward

Australia's involvement in the war on Iraq is one of the most controversial issues in the recent history of Australian foreign policy. However there is a story of Australian involvement in Iraq that has not adequately been told. It is not a story of weapons of mass destruction, or the downfall of a dictator, yet it relates directly to our military presence in the country. This is the story of Australian interference, as an occupying power, in the Iraqi economy and its political institutions, interference that has advanced Australian commercial interests against the interests of the Iraqi people.

This report documents Australian participation in this 'other' intervention in Iraq. It offers the first systematic investigation into how the Australian government pursued narrow economic and trade interests in Iraq, frequently under the guise of humanitarian assistance.

Almost a year after the 2003 invasion of Iraq, the 2004 Boxing Day Tsunami generated an unprecedented outpouring of global compassion and humanitarian support. Arguably the human-made humanitarian crisis in Iraq is of equal, if not greater scope and intensity. Yet, as this report reveals, much of Australia's aid to Iraq has been used to advance Australian interests rather than to address the advancing humanitarian crisis.

Regardless of whether the Iraq intervention was justified, the Australian Government has international legal responsibilities as an occupying power. These responsibilities are spelt out in the Geneva Convention, and required Australian authorities to respect Iraqi laws.

Between April 21, 2003 and June 28, 2004, a series of aid-funded officials were deployed into the Coalition Provisional Authority in Iraq with an explicit mandate to rewrite Iraqi economic laws. Aid-funded officials were particularly important in the Ministry of Agriculture, which was co-headed by Australia. By funding CPA officials, especially in agriculture, Australia had direct responsibility for the removal of Iraq's agricultural subsidies and protections, and for seeking commercial advantage for Australian wheat growers in Iraq. In the process, Australia has flouted its international responsibilities, and acted directly against the interests of Iraqi farmers.

AID/WATCH is has campaigned for 14 years to highlight and prevent the co-option of essential humanitarian assistance by the commercial and strategic interests of governments and other institutions.

This report is a compelling case study, among a growing body of research that highlights the urgent the need to ensure international aid is genuine in its assistance to recipient communities and their local and global environments and is not diverted to the domestic agendas of rich donor countries

James Goodman, Chair, AID/WATCH

Contents

Executive Summary and Introduction

This report details how the Australian Government pursued commercial interests in Iraq against the interests of the Iraqi people, and how it justified the majority of these activities as humanitarian assistance. It did so despite the assurance given on 14 May, 2003 by Prime Minister John Howard to Parliament: “We are not in the business of imposing a particular model of democracy on the Iraqi people. …for only the Iraqi people are in a position to determine what is in their national interest.”[1]

It has been Australian commercial interests, in particular guaranteeing market access for corporations like AWB and BHP, that has been a driving force behind Australia's aid to Iraq. The report focuses on the following key areas:

Embedding AWB Officials To Guarantee Wheat Market Access: The AWB kickback scandal revealed the extraordinary lengths Australian corporations, supported by the Australian Government, had been prepared to go to access Iraq's markets. But the AWB scandal didn't end with the Cole Enquiry. Former AWB executives like Trevor Flugge and Michael Long were systematically placed in key decision making positions in the Occupation government to guarantee ongoing access to Iraq’s wheat market. Flugge and Long have been recommended for criminal prosecution by the Cole Inquiry for their role in AWB paying nearly $300 million in kickbacks to Saddam Hussein.

Radical Dismantling of Iraq’s Economy: In May 2003 Howard announced that Australia, along with the US and UK, had founded the Coalition Provisional Authority (CPA), the body responsible for overseeing the formal Occupation until June 2004. The CPA, with full Australian participation, quickly introduced a radical, pro-corporate restructuring of the Iraqi economy. Foreign corporations could own 100% of Iraqi industries, including banks, and retain all profits. Tariffs and duties on imports were rescinded, thus facilitating the flooding of the economy with cheap foreign products. Australia benefited directly as a result, as Iraqi farmers would have no protection against increased wheat imports.

Iraqis had no say in determining these policies, but plenty of Australians did. At least 15 aid-funded officials were in senior CPA positions. As an example, aid-funded Australian public servants wrote the CPA budget that established many of these policies.

Transforming Iraqi Agriculture: Australia’s most prominent role in the CPA was restructuring Iraq’s agriculture sector, the one area where it shared equal authority with the US. Far from promoting Iraq’s own food security, as they repeatedly claimed, Australian officials paid by AusAID were focused on guaranteeing ongoing wheat contracts and on removing subsidies and protections. Simultaneously, they were introducing a system of monopoly patent rights over seeds and vastly facilitating the dominance of Iraq’s agriculture by Australian and US corporations. Howard hand picked former AWB chairman Flugge to be the co-head of the CPA's Ministry of Agriculture, explaining later that "Our principal concern at that time was to stop American wheat growers from getting our markets.”

ANZ, SAGRIC Int'l, Packer family owned GRM, and Worley Parsons, as well as AWB, are among the companies that have received substantial contracts based on the CPA economic policies. BHP Billiton and other Australian energy companies have also benefited, and are poised for huge profits if the Iraqi Parliament passes a controversial US sponsored oil bill.

The CPA also ensured Iraq’s economic future would be tied to World Bank and IMF structural adjustment programs. It also established a constitutional framework that entrenched the economic orders for future Iraqi governments.

The Department of Foreign Affairs and Trade (DFAT) outlined its actions in developing the CPA economic restructuring, and how it ‘helped develop a post-sanctions commercial strategy for Iraq, and helped Australian companies pursuing business opportunities in Iraq’, including ‘official-level lobbying to protect and promote Australia's substantial wheat trade with Iraq’.[2]

As with the other Coalition members, Australia’s actions regarding the CPA economic orders were clearly illegal as defined by international law. The Hague Regulations of 1907, Article 43 states that an occupying power “must re-establish and insure as far as possible, public order and safety, while respecting, unless absolutely prevented, the laws in force in the country."

The report calls for a full audit of Australian aid to Iraq since 2003, with a particular focus on its involvement in agricultural and economic reform and reconstruction.

The CPA and the Radical Transformation of Iraq's Economy

The Coalition Provisional Authority (CPA) was established in May 2003, and was the official governing body of the military Occupation until the so called handover of sovereignty to an Iraqi government on 28 June, 2004. The CPA had full executive, legislative, and judicial authority over Iraq during this time.[3] Australia's representative in the CPA was long time diplomat Neil Mules, the head of the Australian Representative Office in Baghdad, the precursor to what would become the Australian Embassy. The CPA was led by American Paul Bremer, also a long time diplomat with a number of Ambassadorial postings over a thirty year career. Often referred to as the de facto Prime Minister, Bremer's official title was Administrator. He had extensive powers to initiate and implement CPA policies.[4] Less well known is Bremer's history as an executive with the consultant group, Henry Kissinger Associates that has advised dictators such as Indonesia's Suharto.[5]

With UN Security Council Resolution 1483, the United Nations formally acknowledged the Occupation of Iraq by the Coalition, and recognised the CPA as the Occupation government. The Resolution was passed on May 28, 2003. It included the requirement that the CPA promote the welfare of the Iraqi people through the effective administration of the country, restore security and stability so that the Iraqi people could "freely determine their own political future," and comply fully with international law governing occupying powers.[6]

In June 2003 the CPA announced that Iraq's extensive state-owned sector, with the exception of oil, would be privatized. It would be the CPA, not Iraqis that would determine the selling price of these assets and how the income would be spent. Not only did the CPA authorize and fast track the wholesale sell off of Iraqi State-Owned Enterprises (SOEs), but it specified there could be no preferential treatment for Iraqis. Foreign corporations could buy up 100% of these industries, and also keep 100% of the profits.[7] Under CPA Order 94 even foreign banks were allowed to buy up to 100% of domestic Iraqi banks, and to establish their own private enterprises. Foreign branches and domestic subsidiaries of foreign banks were guaranteed equal treatment to that of Iraqi domestic banks.[8]

In June 2003 Bremer announced that all tariffs, duties, and other taxes on imports would be rescinded, thus eliminating any protection for Iraqi industries.[9] This enabled the flooding of the Iraqi economy with cheap foreign products. As discussed later, Australia benefited directly from this particular measure, as it meant Iraqi farmers would have no protection against increased Australian wheat imports.

CPA Order 49 accomplished the dream of neo-liberal economists by creating a flat tax of 15% on individuals and corporations. As Herbert Docena, researcher with Focus on the Global South puts it, "Doing away with the principle of progressive taxation, the idea that those who have more should contribute more, it also means that an Iraqi who earns $100 a month will have to pay the same percentage of tax as a corporation that earns $1 billion a month."[10]

While Iraqis were not technically prevented from buying the SOEs or becoming shareholders once the industries were sold, few if any could afford to do so. Iraq's economy was in a shambles after the invasion and subsequent looting, as well as after more than ten years of sanctions and destruction from the first Gulf War.

The CPA's economic policies were embedded as law, but were not successfully implemented. The CPA had to back down on the fast-tracking of privatisation due to substantial public resistance. The sell-off of SOEs, as well as various proposals to open up Iraq's nationalised oil reserves, have been put on hold by successive elected Iraqi governments despite considerable Coalition pressure, particularly American, to approve them. The ongoing legal issues of selling off Iraq's economy, and the critical lack of security, have meant few buyers.[11] In July 2006 Iraq's Trade Minister Abdel Falah-al Sudany declared that privatization would not happen "for at least five to ten years."[12]

Whether implemented or not, as detailed below the CPA Orders on economic policy have been institutionalized in the 2005 Iraq Constitution.

In US Congressional hearings held early in February 2007, it was revealed that nearly $12 billion of CPA controlled money could not be properly accounted for. According to press reports, the money was flown from the US to Baghdad in shrink-wrapped $100 bills. According to Bremer, the use of cash was necessary because of the breakdown in Iraq's banking system.[13]

Indeed this was not American but Iraqi money which had been handed over by the UN's Oil for Food program to the CPA for humanitarian and reconstruction purposes.[14]

In any event the CPA failed to deliver: an audit conducted by the US government found that only 49 of the 136 projects that were originally pledged to improve Iraq's water and sanitation would be finished; and about 300 of an initial 426 projects to provide electricity were completed, but most were not fully operational.[15]

As a member of the CPA, and in particular as a voting member of the Program Review Board, the body responsible for overseeing the CPA's budget, Australia must share responsibility for this mismanagement of the Iraqi people's money.

More generally, when the CPA imposed its economic orders, it exceeded its powers. The jurisdiction of an occupying power is carefully limited under international law. The Hague Regulations of 1907, Article 43 states that an occupying power "must re-establish and insure as far as possible, public order and safety, while respecting, unless absolutely prevented, the laws in force in the country".[16]

There are further limitations under Article 64.2 of the Fourth Geneva Convention, which explicitly limits the legislative capacity of occupying powers to provisions "required for the application of the Convention" in areas such as child welfare, labour, food, hygiene and public health; other provisions necessary to maintain the "orderly government of the territory"; and penal provisions "for its own protection".[17]

The occupying powers in Iraq – including Australia – have ratified the Hague treaty and the Geneva Conventions, and they are binding as law. Furthermore, the UN Security Council Resolution 1483, which recognised the CPA as the Occupation government, specifically called on the Coalition "to comply fully with their obligations under international law including in particular the Geneva Conventions of 1949 and the Hague Resolutions of 1907". [18] The economic model for Iraq, imposed by the CPA, thus not only violates international law but exceeds the post-invasion mandate granted to the CPA by the international community.

The Free-market CPA blueprint

The master plan for this transformation of Iraq's economy had already been spelled out in startling detail in a February 2003 contract between USAID, the US Government Aid Agency, the American equivalent of AusAID, and the Bearing Point Corporation - a full month before, supposedly, the final decision was made to invade.[19]

The blueprint was called "Moving the Iraqi Economy from Recovery to Growth". It clearly stated that any and all decisions would be determined by the CPA and the military occupying force, not Iraqis: "The new [Occupation] government will seek to open up its trade and investment linkages and to put into place the institutions promoting democracy, free enterprise and reliance on a market driven private sector as the engine of economic recovery and growth."[20]

No Iraqis were ever presented these plans. Indeed, Iraqis were openly prohibited from even seeing, let alone determining, them. Isam al-Khafaji, who worked directly with the CPA in the first months of the Occupation, confirmed that "Many radically new sweeping changes, for example, the law on foreign investment, Iraqis were not allowed to review it. They were not even given the chance to look at it before it was passed."[21]

The CPA also laid the institutional framework for the longer term control of Iraq's oil, and ensured that its economic future and policies would be tied to the World Bank and IMF structural adjustment programs, including policies to eventually eliminate its food subsidies program, upon which 60% of the population continues to depend for daily sustenance. The CPA also established the political and legislative framework within which these laws would be embedded in any future electoral, constitutional, or legislative context; guaranteed in no small part by the presence of over 150,000 Coalition troops, with Australia proudly playing its part.

Even mainstream financial journalists were surprised at the sheer audacity of the plans. "By almost any mainstream economist's standard, the plan… is extreme – in fact, stunning," said Jeff Madrick, New York Times Economics Columnist.[22] "An even more radical form of shock therapy than pursued in the former Soviet world," said Joseph Stiglitz, former World Bank Chief Economist and Nobel Prize Winner.[23] The intent is "to remake Iraq's economy in the US image," wrote Neil King in the Wall Street Journal.[24] The UK's Economist magazine said the plans were "fulfilling the wish list of international investors… Let's go to the yard sale."[25]

Michael Bleyzer, former executive of Enron summed up the goal when he briefed Defence Secretary Donald Rumsfeld and other officials of the Bush administration: "We want to set up a business environment where global companies like Coca-Cola and McDonalds could come in and create a diversified economy not dependent on oil…"[26]

Australian Officials in the CPA

The Bremer economic orders could not have been implemented without the hard work of Australians like Tony McDonald, who, as the CPA's Director of the Office of Management and Budget, and funded through Australian aid. McDonald was responsible, along with fellow Treasury official Dan Devlin, for preparing the CPA's 2003 and 2004 budgets. McDonald helped ensure the payment of salaries for public servants in the early and chaotic days after the invasion. He also helped develop and implement the flat tax of 15% on individuals and corporations, as outlined above.[27]

Bremer personally commended McDonald, stating that he "often acted solely upon Tony's macroeconomic advice."[28] A key aspect of the CPA's macroeconomic policy was the CPA's wage law which lowered public sector wages (which in Iraq's state-owned economy was more or less the entire country) from $US 60 a month to $US 40, while foreign workers were earning up to $1,000 a day.[29] This wage law led to an early strike by oil workers and an early victory, when the CPA agreed to nearly double oil sector wages.

Technically the highest ranking Australian in the CPA was Andrew Goledzinowski, who served as the CPA's Director for Development Cooperation. Seconded from the Department of Foreign Affairs, Bremer personally awarded him a US service medal for "service to the reconstruction" of Iraq. Goledzinoski had been one of the first Australian civilians to arrive in Baghdad in April 2003, and was charged with setting up the new Iraqi Ministry of Justice, ironically installed in one of Saddam Hussein's most opulent palaces.[30]

Other Australian public service secondees, Heidi Venamore and Christopher McNichol, were each awarded a Public Service Medal by John Howard for their "achievements in furthering Australia's interests in Iraq under difficult and challenging circumstances". Venamore was further singled out for her "key role in the successful pursuit of Australia's trade and investment interests" while serving as the official Deputy to Neil Mules. Mules was Australia's representative in the CPA and head of the Australian Representative Office in Baghdad, the precursor to what would become the Australian Embassy. McNichol served as the Political and Economic Director under Mules.[31] Another Australian Peter Khalil served as CPA director of national security policy and after the handover went to work as a US Pentagon advisor.[32]

Transforming Iraqi Agriculture

Australia's most prominent role in the CPA was reserved for restructuring Iraqi agriculture. This was the one area where it shared equal authority with the US. On April 22, 2003, nearly a month before the CPA was even formally declared, John Howard hand picked former Australian Wheat Board (AWB) chairman Trevor Flugge to be the co-head of the CPA's Ministry of Agriculture. Flugge shared co-responsibility with US official Dan Amstutz, formerly of the Cargill Corporation, one of the world's largest agricultural companies and a promoter of genetically modified organisms (GMO's).[33]

Flugge is now famous for the grinning, bare-chested, pistol-toting photograph taken of him while he was on an AusAID funded contract in Iraq, which appeared on the front pages of newspapers throughout Australia in 2006. He came to public attention as one of the alleged architects of the nearly $300 million in kickbacks that AWB paid to Saddam Hussein to guarantee wheat contracts under the UN Oil for Food program, as revealed in the Cole Inquiry findings released in late November 2006.[34]

The Cole Inquiry was established by the Australian federal government as an independent body to investigate allegations of illegal kickbacks by Australian companies, as uncovered in the UN's Volker Report. The Inquiry also found that Australian government officials had not adequately followed up repeated allegations regarding AWB and the kickbacks to

Saddam Hussein.[35]

Significantly, Australia, as head of the Ministry of Agriculture in Iraq, was directly responsible for one of the most extreme of the CPA economic laws, Order 81, which introduced a system of monopoly patent rights over seeds and vastly facilitated future dominance of Iraq's agriculture by Australian and US corporations.[36]

Iraq is the ancient birthplace of agriculture and its wheat, legumes, and other seed crop varieties have been developed and refined for local conditions over a period of 10,000 years. As farmers do throughout the world, Iraqis saved their seeds from one harvest to plant for the next. Much of Iraq's seed stock had been depleted in the war. Flugge and Amstutz presided over the distribution of new seed stocks – seed stocks developed and "patented" by corporations like Cargill and Monsanto, and then ensured these seeds would be protected by the CPA patent law. Under CPA Order 81, it was illegal for farmers to plant these "patented" seeds, even if reserved from their own harvest, without paying the seed patent owners a royalty.[37] With the stroke of an occupier's pen, 10,000 years of traditional agriculture and knowledge were swept away.

Australia's SAGRIC Corporation, now owned by Coffey International Development, was a big contract winner to help implement the restructuring of Iraqi agriculture. SAGRIC and other Australian contract winners are addressed later in this report.

Flugge also worked to eliminate as quickly as possible the price supports and other agricultural subsidies that Iraqi farmers had enjoyed under the Saddam government. Washington Post writer Ariana Cha outlined the government assistance for Iraqi farmers before the invasion:

"Farming inputs such as seeds, fertilizer, pesticides, sprinklers, and tractors were subsidised often at a third or even a fourth of the market price. The government leased land for one cent per donam, about six-tenths of an acre, a year. It bought the country's main crops, wheat and barley, at a fixed price, whether they were useable or not. And it ground up the grain and provided it free as flour to the people each month as part of the guaranteed food program in which every family received a basket of flour, sugar, tea, and other necessities."[38]

Flugge explained to the Washington Post that subsidising farming supplies is "all wrong": the CPA would provide assistance in the form of technology and education and the market would take care of the rest.[39]

Abu Ahmed Al-Hadithi, an Iraqi vegetable seller at the Al-Adhamiyah market, related the impacts of these policies already being felt in April, 2004:

"The costs of gas and food are going up so high; so even if we make more now, everything is costing more… In Saddam's days we grew all our own vegetables to sell… but now so many are coming from outside of Iraq and it is causing us to sell them for less. So I make less profit now, and I have nine people to take care of, and it has made my life very difficult."[40]

Combined with the CPA's Orders abolishing tariffs, Flugge's attempted phase-out of direct support for Iraqi farmers instantly created a new market for Australian and American wheat farmers. In the first year after the invasion the US exported $190 million worth of wheat to Iraq (from zero before the invasion).[41] AWB successfully secured contracts in 2004 and 2005 for a combined two million tonnes of wheat to Iraq. Previous individual contracts for 460,000 tonnes were also honoured, post-invasion, under the World Food Program.[42]

Despite the clear intent of the CPA policies, the Iraqi government has continued to subsidise farmers via state supported crop pricing and other means. Iraqi agriculture faces the same problems as the rest of the Iraqi economy, with crippling shortages of electricity, fuel, and continuing security problems. Farmer Haji Jassim, in a November 2006 interview, said the biggest obstacle was simply a lack of available farmers and labourers "since most of our young men who were not killed by US and Iraqi troops are in jail or missing."

A staggering 75% of Iraq's fruit and vegetables are now imported.[43] "Local agricultural production is almost nil," stated Majid al-Dulaymi from the Iraqi Ministry of Agriculture in an interview with the Inter Press Service in February 2007. "Now the private sector is importing everything, and the prices are too high to afford."[44]

Embedding AWB Officials

In outlining its response to the humanitarian crisis in Iraq, the Australian aid agency, AusAID, firmly stated that "Australia will make a strong and effective humanitarian contribution to the Iraqi people"; it would specifically work to "facilitate Iraq's transition to an open, market based economy".[45] Neither AusAID, the Australian government, or the CPA ever engaged the Iraqi public, let alone Iraqi farmers, about whether they actually wanted this "open, market based economy."

The Australian government has provided more than $170 million in Official Development Assistance (ODA) to Iraq. One of the largest allocations announced at the time was that of $45 million to 'Agriculture Reconstruction Activities', a package that was to be supervised by Trevor Flugge. AusAID funds paid Flugge just under $1 million for approximately eight months work in Iraq. Responding to criticism when Flugge's salary details were exposed in 2006, Howard was unapologetic, "I will tell you why we sought his involvement," Howard said. "It was because our principal concern at that time was to stop American wheat growers from getting our markets. We thought Mr Flugge would fight hard for the Australian wheat industry."[46]

Flugge's appointment in April 2003 came at a time when the AWB-held contracts under the UN Oil for Food Program to deliver another $300 million worth of wheat to Iraq in the following year. As the invasion of Iraq ended the Oil for Food Program, it was unclear whether these outstanding contracts would then be honoured by the CPA.

International sanctions had been imposed on Iraq by the United Nations after the first Gulf War to ensure Iraq destroyed its weapons of mass destruction. The sanctions made it illegal for any country or company to trade directly with Iraq. The sanctions led to a widespread humanitarian crisis, as Iraq was prohibited from importing food, and was unable to grow enough to feed its population. As a result of international pressure, the UN established the Oil for Food program. The Oil for Food program allowed UN approved sales of Iraqi oil to go into a UN controlled account; these funds were then used to pay for humanitarian aid by the UN, in particular food aid – such as wheat. Contracts under the Oil for Food program had to be approved by the UN, and any direct or indirect payment to the Saddam Hussein government was strictly prohibited. The Oil for Food program then became the only means of trading with Iraq.

AWB was the biggest single supplier of food under the Oil-for-Food program, and sold 12 million tons of wheat valued at $AD 2.6 billion under the program.[47] As a result of the Cole Inquiry and UN Volker Report, we also know that it was the single largest supplier of prohibited and blatantly illegal kickbacks to the Saddam Hussein government. AWB contracts were inflated with fictional 'trucking' costs, paid to a Jordanian trucking company called Alia, which then funnelled the money directly to the government of Saddam Hussein.[48] The $294 million paid by the AWB in kickbacks to the Iraqi government directly flouted UN sanctions and the UN Oil-for-Food program and financed the Saddam Hussein regime and its military ambitions. It must rate as one of the most serious misappropriations of humanitarian aid in recent history.

As mentioned above, when the war started, AWB had over $300 million worth of kickback-inflated contracts with Iraq pending under the Oil for Food program. It was eager - as was the Australian government - to ensure the contracts would be honoured once the CPA was installed.[49] Incredibly, one of Flugge's duties as an AusAID contractor was to review these pending AWB contracts under the UN Oil for Food program, and advise on whether they should be honoured by the new CPA administration.[50]

Trevor Flugge was an AWB official picked by the Howard government to work in the CPA, and paid for by Australian taxpayers through the aid budget, under the guise of an "effective humanitarian contribution to the Iraqi people". He was not alone: Michael Long, another former AWB top executive, was an AusAID appointee "advising" the Iraqi Trade Ministry. Long, who code-named himself "Proton" in his communication back to AWB in Melbourne, boasted how he and Flugge secured a top position for the Iraqi Grains Board head Yosif Abdul Rahman in the Ministry of Trade. This was accomplished despite the CPA's purging of top Baathists from government positions. Rahman featured on in the USA's deck of cards of the criminal Saddam-era officials.[51]

One of Long's primary responsibilities in the Ministry of Trade was prioritising which existing Oil for Food contracts should be honoured by the CPA, while Flugge, conveniently, was doing the same as head of the Ministry of Agriculture. Few contracts were bigger than the AWB kickback-laden wheat contracts. In September 2003, the CPA approved the $300 million worth of AWB contracts which had been negotiated under the UN Oil for Food program, and been held-up since the

Invasion.[52]

Long left the Ministry of Trade in early 2004, to be replaced by yet another AWB executive, again funded by overseas aid. Darryl Hockey, until he left for Iraq, had been AWB's manager of government relations. Hockey had also previously been an adviser to former deputy Prime Minister and National Party leader John Anderson. Hockey had been AWB's media spokesperson in mid 2002 when Iraq threatened to discontinue AWB contracts because of Australia's support for the Bush Administration's increasingly bellicose stance.[53]

Incredibly in December 2002, three months before the war, after extensive lobbying from AWB, Iraq reneged on its threats and granted Australia yet more wheat contracts. In evidence presented to the Cole Inquiry, Hockey disclosed he had advised both the Australian Trade Minister and Foreign Minister at the time not to speak publicly about the new deals.[54] Hockey is now back in the AWB fold, ironically, as the head of the company's international market development.

In June, 2004 Trade Minister Mark Vaile announced an additional $20 million for a grain handling facility in Iraq to consolidate Australia's "position in one of its key wheat markets". The AusAID contract eventually went to the SAGRIC corporation. Vaile said that Australia's support for the grain facility "allows us to build stronger relationships with key individuals in these markets, which is a very important aspect of marketing grain."[55] This was hardly "marketing grain"; Australia had done everything possible as an occupying power to guarantee Iraq's dependence on imported wheat.

The Australian Aid Program to Iraq

Official Australian aid , technically referred to as Official Development Assistance (ODA), to Iraq was virtually negligible before the 2003 invasion. The ensuing aid response to the Iraq war by Australia seems to have been firmly dictated by the top-down foreign policy objectives of cabinet rather than the development expertise within AusAID.

The top down approach in the deployment of aid funds is particularly clear from the early announcements of the Foreign Minister, Alexander Downer.

On the day of the 2003 invasion, Downer announced in a press release that Australia's $100 million humanitarian assistance to Iraq would be food aid, w hich would include purchasing a shipment of AWB wheat which had been stranded in the Gulf at the onset of war[56]. Australia was to spend $38 million to purchase the wheat and $45 million to distribute it in Iraq.[57]

However two weeks later, after the UN advised Downer that Australia's humanitarian contribution would be better spent on programs other than buying its own wheat, the funds were re-allocated to other humanitarian and reconstruction programs. *Australian* newspaper journalist Caroline Overington, in her recent book *Kickback* has also suggested that AusAID baulked at the proposition to use aid funds to buy AWB wheat. According to the final Cole Inquiry report AWB had to be repeatedly pressured to return the $38 million it had been initially paid by AusAID, which it did so only after funds for its shipment were secured elsewhere.[58]

At the commencement of hostilities, it was Australian ODA funds that accounted for the dozens of advisors, consultants and contractors working both within and outside the CPA. Charles Tapp, one of the executives in charge of the Iraq program within AusAID, revealed in Parliamentary estimates committees that in the initial phase, 31 advisors were ODA funded and operating in Iraq.[59] These individuals were either contracted directly by AusAID, like Trevor Flugge, or alternatively were seconded from various other Australian government departments such as Treasury. No definitive record of total funding to these CPA officials and consultants is available, however according to the AusAID Senate Order Documents some individual contracts could be as high as $500 000 for a temporary contract.

The reason why these details are particularly hard to unravel is because many of the consultant salaries occurred within other government departments such as DFAT and Treasury, not simply through AusAID. Whilst the expenditure through AusAID is reported in Senate order lists and on the government gazette, there are no publicly available records of the breakdown of all of the 31 consultants and officials paid from ODA funds.

There are also some questions arising over the eventual expenditure of pledged aid funding for agriculture.

On its website as at June 2007 AusAID stated that its direct funding to Iraq between 2003-2007 stood at $173 million. Of that about $68 million was allocated to multilateral humanitarian efforts, $55 million to multilateral trust funds, and $14million to assist migrants and refugees in the region. The remainder, approximately $36 million, appears to have been allocated to agricultural services, reconstruction and other technical assistance to the CPA.

This does not appear to correspond with the $45 million that was pledged to "Agricultural Reconstruction" that was covered in various press reports at the time of the invasion. Indeed at the hand-back of the Iraq Ministry of Agriculture the CPA Administrator, Paul Bremer, acknowledged Australia's special role in the Agriculture Ministry, citing $40 million expenditure out of a total commitment of $120 million.[60]

Aside from the $20 million contract to SAGRIC for a grain processing facility, noted above, the details of the actual expenditure of this $45 million are relatively unclear.

The Australian newspaper in July 2003 reported that in one Australian aid project, $1.2 million was being spent rebuilding the Agriculture Ministry and was being flown into the country by Flugge and his team in bags of cash.[61] Confirming this press report, answers to Senate Estimates questions stated that Australian aid, in the form of bags of cash, was carried into Iraq for 'quick impact activities' by either Long, Hockey or Flugge on five separate occasions.[62]

Other large aid contracts for Iraq, noted in AusAID's Senate order listings include $15.9 million to Control Risk Group for 'Provision of Security Support Services' in September 2003, and $1.7 million to HK Shipping International for 'Logistics Support' in May 2003.[63]

The provision of a full breakdown of ODA eligible expenditure in Iraq by all government departments, with particular attention to CPA funding would go a long way to allay this confusion.

Police and Military Training

Australian aid has also funded the training of Iraqi police recruits at the Jordan International Police Training Centre since May 2004.[64] Iraqi recruits participate in an eight-week training course under the supervision of Australian Federal Police agents, as well as trainers from other countries.[65]

To ensure that members of militias are not the beneficiaries of Australian training, all Iraqi cadets are screened at the 'Centre for Inappropriate Allegiances, Behaviour, Beliefs and Attitudes'.[66]

In addition to aid funds, the Australian Defence Forces have been actively engaged in training the new Iraqi military. Of the 1,400 Australian military personnel in Iraq, about 460 are involved in training at Talil, in south-east Iraq, since June 2006 (and previously provided training in Al Muthana province).[67]

Both the Iraqi government military and the police force have been linked directly to serious and widespread allegations of torture. A July 2005 investigative report by Britain's Observer newspaper found that British aid for police was directly supporting serious human rights abuses carried out by the new Iraqi government's police and military forces, including kidnapping, torture, and extra-judicial killings.[68]

Aid as Debt Cancellation

By far the largest impact of Australian aid to Iraq is the cancellation, through the aid program, of most of Iraq's sovereign debt to Australia. In November 2004, the Paris Club, an influential grouping of rich nations, of which Australia is a member, agreed that the international community would forgive 80% of the debt that Iraq owed to Paris Club nations. This has involved Australia eliminating $668 million worth of debt between 2005 and 2009.

Recent information released by AusAID has revealed that 95% of the debt of Iraq to Australia was related to purchases of Australian wheat[69], and incredibly 57% of the debt was actually accrued interest on the initial principal sum.[70]

Australia has claimed this $668 million within its aid budget for the last two financial years, as a Department of Foreign Affairs and Trade contribution. In the 05/06 financial year the Iraq debt Cancellation accounted for over 70% of total new aid funds.[71]

International best practice suggests that whilst nations should actively support debt relief for poor countries, the cancellation of this debt should not be counted in aid budgets, lest it take the place of real increases in program aid, which is unfortunately the case regarding

Australia. The practice also contravenes the 2002 United Nations Monterrey agreement, which called for debt cancellation to be funded additionally to Official Development Assistance (ODA).[72]

Australian Corporations: The Contracts

The bounty for Australian corporates was not limited to Australia-based aid contracts. This was "the new gold rush", as one US official put it, and Australian corporations did not miss out.

In 2003 South Australia-based SAGRIC International, along with the Australian federal government's Commonwealth Scientific and Industrial Research Organisation (CSIRO) and US Corporation DAI, won a contract worth up to $US 120 million from the United States' foreign aid agency, USAID, to "revitalise" Iraqi agriculture. In its October 22, 2003 press release announcing the contract, SAGRIC stated that it would "assist the modernisation of agriculture in Iraq by supplying seed and fertiliser".[73] It did not mention that those seeds would then be protected by the CPA's order on patents.

This was in addition to SAGRIC's $20 million contract in 2003 from AusAID for the Rehabilitation Assistance Facility, a kind of overview administrative facility for managing the various elements of Australian aid. It included bringing Iraqi government agriculture officials to Australia for training in agricultural policy and management, agribusiness systems, and other specialised training programs, and to also train Iraqi government officials regarding eventual WTO membership for Iraq. Curtin University of Technology in association with the Department of Agriculture Western Australia conducted the agricultural training.[74]

Brisbane-based and Packer family-owned GRM International was awarded a 2003 USAID contract with an initial value over $100 million to help deliver economic recovery, reform, and sustained growth, and "provide advice to the CPA on the transition from the UN Oil-for-Food Program to a normalised food purchasing and distribution system."[75] This is code for eliminating Iraq's public food distribution system, which 60% of the population continues to depend on. Eliminating as many public subsidies as possible is one of the cornerstones of IMF and World Bank policy, as well as a cornerstone of the present American and Australian governments. Revealingly, it was to be delivered in collaboration with Bearing Point, the same American company which had written the entire blueprint for Iraq's economic transition and mass privatisation before the war had even started.

GRM is a private company, a wholly owned subsidiary of the Packer family's livestock trading company Consolidated Pastoral Company (CPC), which has strong agricultural export interests in the Middle East, operating principally out of Dubai.[76] Along with SAGRIC, GRM is one of the biggest contractors to AusAID.

The ANZ Bank was another Australian corporation which benefited from the Occupation. It was selected by the CPA to be one of the founders of the Iraqi Trade Bank, providing key financial guarantees and backing for the restructuring and mass privatisation plans. The Trade Bank established lines of credit to help guarantee Western imports, undercutting Iraqi businesses (including farmers) unlikely enough to have survived the war and over a decade of sanctions.[77] These lines of credit were backed up via guarantees of payment from future Iraqi oil revenue.[78] As a result, ANZ has been the target of anti-war protesters in Australia and New Zealand.

Oil: Pseudo-Privatisation and Corporate Control

Iraq's state owned oil industry was excluded from the CPA's mass privatisation plans, and it remains nationalised. While the CPA felt it could pursue the pre-meditated sell off of Iraq's economy, it was much more careful regarding the hugely politically sensitive issue of Iraq's oil. The Coalition knew that any attempts to privatise Iraq's nationalised oil industry would give even further impetus to the insurgency, and also be viewed by much of the world as an obvious ruse to seize Iraq's oil. Nevertheless, the United States was never going to allow the future control of Iraq's oil to be left to the Iraqi people. The US is projected to depend on imports for 75% of its oil needs by 2025, and Iraq is one of the few areas of the world with the capacity to provide it.[79]

The key for the US and Coalition was to gain control of Iraq's oil, while avoiding the thorny issue of actual privatisation; what was needed was a kind of Clayton's privatisation. The solution was Production Sharing Agreements (PSAs), where the oil is still owned by the state, but foreign oil companies have access to production and refining. PSAs last for 30-40 years, and cannot be re-negotiated by any future government.[80] Shortly after the June 28, 2004 handover of sovereignty, the non elected CPA appointed a former CIA agent as head of Iraq's transitional government, Iyad Allawi, and began negotiating the concept and terms of the PSAs.[81]

The terms of these PSAs favour the oil companies. Recent proposals allocate approximately 64% of Iraq's oil reserves to PSAs, as outlined in a November, 2005 report by the London NGO, Platform. The Platform report estimates Iraq would stand to lose between $US 74 billion to $US 194 billion compared to leaving oil development in public hands, based on a very conservativ e $US 40 a barrel. Profits for the foreign oil companies would be guaranteed a phenomenal 42% to 162% rate of return.[82]

Throughout the first half of 2007, a new comprehensive oil law was being debated by the Iraqi Parliament, with features similar to the Production Sharing Agreements, although technically superseding them. The legislation was drafted in secret, and was not released publicly until March.[83] The legislation stops short of full privatisation, and technically Iraq's oil would remain nationalised. But similar to the Bremer economic orders, if the legislation is approved the Iraqi government would be prohibited from giving preferential treatment to Iraqis in securing oil-related production and infrastructure contracts.[84] The government would be severely limited in its capacity to ensure Iraqis gained as much economic benefit as possible from their primary economic resource.

While the draft of the legislation was kept secret from the Iraqi people, it was not kept secret from US President George Bush. In December 2006, before it had even been presented to the Iraqi Parliament, Bush publicly called on the Iraqi government to pass the legislation.[85] Shortly thereafter he requested an additional 21,000 troops for Iraq.

There has been widespread Iraqi public opposition to any attempts to privatise Iraq's nationalised oil industry. Iraq's five trade union federations, representing hundreds of thousands of workers across a range of industries, released a statement in December 2006 rejecting the "handing of control over oil to foreign companies, whose aim is to make big profits at the expense of the Iraqi people, and to rob the national wealth, through long term, unfair contracts, that undermine the sovereignty of the state and the dignity of the Iraqi people."[86] Further Iraqi civil society resistance is outlined below.

Australian Resource Companies and Iraq's Oil

Given the size and scope of Iraq's oil resources, the beneficiaries of any pseudo privatisation of Iraq's oil will hardly be limited to American oil companies. Already the largest single Australian contract for reconstruction went to Sydney based Worley Corp, which received a $US 800 million contract with the US Army Corps of Engineers in a joint venture with US based Parsons to rebuild oil infrastructure.[87] Woodside Energy Ltd, Australia's second largest oil and gas company, signed a $US 2.5 million two year agreement in November 2004 with the Transition government's Oil Ministry, evaluating oil and gas prospects in Iraq's Kurdistan region. In one of the more bizarre incidents in Australia's Iraq adventure, Nationals Senator Ross Lightfoot travelled to Iraq in 2005, and as alleged by Australian press reports, handed-out $US 25,000 to Kurdish representatives on behalf of Woodside.[88]

The Big Australian, BHP-Billiton, was also in the picture. It had developed its own Iraq focused oil company, Tigris Petroleum, during the Saddam era. In 2003 Tigris and BHP quickly secured a joint venture contract from the CPA, and another with the transit ional government the following year.[89]

BHP had previously sought approval in 1997 from the Department of Foreign Affairs and Trade to loan the Saddam Hussein government a sanctions-busting $US100 million, as a sort of goodwill loan. One report speculated that BHP's motive may have been to ensure the company's future development of the massive Halfayeh oilfield in southern Iraq once the UN sanctions were eventually lifted.[90] In any event, DFAT refused permission for the loan.

BHP and Tigris were investigated for sanctions violations as part of the Cole Inquiry regarding an $US8 million wheat shipment AWB sent to Iraq in 1996, but which BHP paid for. The shipment was classified as "a humanitarian gift", and was thus permissible under the UN Oil for Food program and sanctions. Evidence provided before the Inquiry suggests that BHP, via

Tigris, then successfully recovered the $8 million by having AWB artificially inflate the cost of a million tonne wheat deal in 2002, and then have the extra money diverted back to Tigris to recoup the original $8 million "gift".

Allegedly, Tigris Petroleum head and long term BHP executive Norman Davidson Kelly helped negotiate the AWB contract – with the alleged kickback provisions and payment for Tigris/ BHP– with the Saddam Hussein government.[91] The Cole Inquiry did not find any wrong-doing by BHP-Billiton, but in its findings referred Norman Davidson Kelly to the authorities for further investigation.[92]

The CPA had barely been functioning when in May 2003 it granted BHP and Tigris, along with Shell, an initial evaluation contract for the Halfayeh oilfield. And in late 2004, the unelected CPA appointed Iraqi interim government approved a two year project for Tigris and Australia's top three oil companies- BHP, Woodside, and Santos to evaluate projects in Iraq's Kurdish north.[93]

Foreign Minister Downer and Trade Minister Vaile deny having played any role in either the BHP wheat 'gift' or AWB repayment, or that they had a hand in securing Tigris and BHP's post-invasion contracts. But Department of Foreign Affairs documents obtained by the Melbourne Age suggest that Downer and Vaile were briefed at least 19 times regarding Tigris and BHP interests in Iraq, and that Heidi Venamore, deputy head of Australia's Representative Office in Baghdad, and other senior Australian officials met with and briefed Tigris officials prior to meetings with key CPA officials throughout 2003.[94] Venamore, as mentioned earlier, received special government commendation for her "key role in the successful pursuit of Australia's trade and investment interests".

A confidential document released in July 2006 as part of the Cole Inquiry reveals that Downer and Australian Ambassador to the UK Michael L'Strange met with BHP Billiton executives in London and agreed to lobby the US government for guaranteed access to the Halfayeh field just weeks after active combat had ended in May 2003. Also present was former UK Foreign Secretary Sir Malcolm Rifkind, who had worked as a consultant to BHP since 1997.[95] This is one of the clearest examples of Coalition oil interests jockeying for access to Iraq's oil, and confirms that it is the US, not the Iraqis, who granted access. The meeting was held at Stoke Lodge, Australia's diplomatic headquarters in London.

Minutes of the meeting were taken by Australian government officials, and copies (marked "Confidential") were sent to Howard, Downer, and to officials in Australia's intelligence services. The document states that: "Sir Malcolm emphasised that it was critical to register the BHP Billiton/British Dutch [Shell]/Tigris interest early with the US administration... It was a good claim and required lobbying - including from the Australian government - in Washington." According to the minutes, Downer agreed to lobby on BHP's behalf both in Washington and with CPA head Paul Bremer in Baghdad. The document also stated that BHP Billiton had briefed the office of Australia's Prime Minister. Rifkind agreed to lobby the US Vice-President, Dick Cheney, on BHP's behalf.[96]

As outlined above, BHP was attempting to develop the Halfayeh field in partnership with Tigris and Shell; in the same month as the meeting at Stoke Lodge, the CPA granted an initial evaluation contract for the Halfayeh oilfield to the three partners. Almost simultaneously, in May 2003 Howard was telling Parliament and the Australian people that "only the Iraqi people are in a position to determine what is in their national interest." In reality his government had the clear view that it was the Americans, with Australian support, who would be determining what was in Iraq's national interest, and that the national interest of Australia was one and the same as the interests of BHP Billiton.

Post-CPA Iraq: the Economic Model Entrenched

Iraqis marched en masse in early 2004 and in the context of growing international criticism, pressured the CPA into bringing forward the formal handover of sovereignty to June, 2004. Sovereignty was not handed over to a democratically elected or recognised body, but to a hand-picked Iraqi Governing Council. The Council became the Iraqi transitional government on June 28 2004, with the former CIA agent Iyad Allawi as its interim Prime Minister.

It was this transitional government which then oversaw a complicated CPA-devised caucus system designed to ensure only, or at least primarily, Coalition sympathisers would be allowed to run in the eventual elections and constitution processes.[97] In May 2003, US

Defence Secretary Rumsfeld had announced that the Bush administration would be installing a regime headed by personnel who “favour market systems” and “encourage moves to privatize state-owned enterprises”.[98]

One of the CPA’s most effective means of entrenching its policy model was the electoral system. CPA Order 96 imposed a party slate system, meaning that favourable parties could be identified, nurtured, and subsequently controlled, while parties which didn’t fit the picture could be prevented from ever participating. The US put almost half a billion dollars ($458 million) towards identifying, creating, and then resourcing those parties most supportive of its agenda, and guaranteeing a favourable outcome.[99]

Even if Iraq’s transitional government wished to overturn CPA Orders, their hands were largely tied. The CPA Economic Orders were given the status of "Transition Administration Laws”. Any change to these laws could only be passed with a two-thirds majority vote in the Legislative Assembly, plus the individual approval of the Prime Minister, President, and both Vice Presidents.[100] The special status of the CPA economic orders was thus duly entrenched with the passage of the October 2005 Iraqi constitution.[101]

In addition, over 200 CPA advisors remained embedded to “assist” the transition process, and ensure that the CPA economic laws were being implemented.[102] Advisors included Australians such as Darryl Hockey, who stayed on as an advisor in the Ministry of Trade.

The new government wouldn’t even have the freedom to create its own budget; the 2004-2006 transitional government budget had to be approved by the CPA.[103] That budget had been written largely by Canberra Public Servants McDonald and Dan Devlin, as detailed earlier in this report. Literally hours before the official handover, Bremer signed CPA revised Order 17, guaranteeing that the Coalition military and foreign contractors would be immune from prosecution by the new Iraqi government.[104]

The ultimate guarantee that CPA laws would remain in place was the presence of over 150,000 coalition troops. While the June 2004 handover was never in doubt, there was debate about whether these troops would, be accountable to the new “sovereign” government of Iraq. In the lead up to the handover of sovereignty, the UK Blair government stated that the new Iraqi government would have veto power over major military actions by coalition forces. The United States was adamant that its military would not be accountable to any Iraqi government, sovereign or otherwise.[105]

In a crucial opportunity to give the people of Iraq an actual say over the presence of the occupying military force, the Howard government chose to side with the Americans.106 While Australian troops are a very small percentage of the total, they are still there, enforcing a continued occupation against the wishes of the Iraqi people. They are still there, long after Spain, the Philippines, Italy, the Netherlands, Japan and others have withdrawn. On current policy, they will still be there after the British troops are sent home at the end of 2008.

IMF: Hedging their Bets

In the scenario that the “wrong” people actually got into power, the CPA also ensured that Iraq’s economy and political decisions would be directly accountable to the World Bank and International Monetary Fund, the international community’s favoured method of guaranteeing economic compliance. As mentioned above, within six months of the handover, the unelected US transition government headed by Allawi negotiated, through the Paris Club, the elimination of $US 32 billion of the $US 40 billion of Iraqi debt accrued under Saddam Hussein. The debt was primarily owed to Russia, Germany, and France – countries which opposed the invasion. The deal, however, came with conditions. While the first $US12 billion was cancelled immediately, cancellation of the next $US 12 billion was tied to an IMF economic program, and the final $US 8 billion would be granted only after the IMF certified the success of Iraq’s adherence to the IMF conditions.[107]

In December 2005 it became very clear what type of conditions the IMF would impose on Iraq. In exchange for a $685 million loan, the IMF insisted that Iraq lift government subsidies on the price of domestic oil and further open the economy to private investment. The price of petrol, cooking fuel, kerosene, and public transportation costs increased five fold as a result, protests ensued nation wide, and Iraq’s oil minister Ibrahim Bahr al-Uloum resigned in protest at the deal.[108]

Civil Society Resistance: the Iraqi Federation of Oil Unions

The CPA economic laws, mass privatisation plans, and the psuedo-privatisation of Iraq's oil have all met widespread opposition in Iraq, and civil society resistance to these plans explains at least in part why they have all been put on hold. While Australian and western media show primarily the violent suicide bombers and other militant opposition to the Occupation, the resistance is a multi faceted one and much more widespread than the violence shown on nightly news presentations. There is another side to the Iraqi resistance that is not comprised exclusively of terrorists or even religious radicals.

One of the most effective organisations opposing the oil Production Sharing Agreements and the mass privatisation has been the Iraqi Federation of Oil Unions (IFOU) General Union of Oil Employees, representing over 23,000 Iraqi oil and gas industry workers. IFOU President Hassan Juma'a Awad gave a clear critique of the Occupation's policies:

"When the Occupation troops stood back and allowed Basra's hospitals, universities and public services to be burned and looted, while they defended only the oil ministry and oilfields, we knew we were dealing with a brutal force prepared to impose its will without regard for human suffering. From the beginning, we were left in no doubt that the US and its allies had come to take control of our oil resources… We reject and will oppose all moves to privatise our oil industry and natural resources. We regard this privatisation as a form of neo-colonialism, an attempt to impose a permanent economic occupation to follow the military occupation."[109]

The IFOU scored an early and important win against the Occupation, when it went on strike against the CPA's wage law which set public sector workers – which in Iraq's state owned economy was more or less the entire country – at a wage rate of $35 a month while foreign workers were earning up to $1,000 a day. Their August 2003 strike shut down production for three days, and succeeded in forcing the CPA to nearly double oil sector wages. This was particularly impressive given that the CPA had retained the Saddam-era law banning trade unions.[110]

The IFOU is hardly alone in its desire for Coalition forces to leave Iraq. A comprehensive poll conducted in September 2006 found that 78% of all Iraqis (majorities of both Sunnis and Shiites) believe the US and Coalition military presence is causing more conflict than it prevents. 71% wanted US forces to be withdrawn within a year.[111]

Iraqi opposition to continued occupation should come as no surprise. Certainly, the Coalition has removed a dictator, Saddam Hussein, and introduced a form of representative democracy, albeit highly compromised. But it has also been responsible, directly or indirectly, for an estimated 650,000 deaths. It has left a country torn apart by horrific sectarian violence, on top of the violence promulgated by and against the Coalition forces. It has also left a country ravaged by poverty: Iraq is one of the world's richest oil producers, yet 400,000 Iraqi children suffer from malnutrition, unemployment is over 50%, and 60% of the population depends on food rations.

Conclusion

Access to Iraq's markets for AWB, BHP, and other Australian corporations has been an important objective of the Australian Government's Iraq policy. The Government has gone to extraordinary lengths to establish, implement, and fight for a permanent economic occupation of Iraq. Australia's involvement in the economic transformation of Iraq through its officials, agencies, corporations and aid projects has thus complemented its broader diplomatic and military operations.

The nexus between AWB, DFAT and Iraq was startlingly revealed in evidence presented to the 2006 Cole Inquiry. In early 2002, John Dauth, then Australia's ambassador to the United Nations, told Trevor Flugge that Australia would participate in military action to invade Iraq and overthrow Saddam Hussein. Flugge was then serving as AWB chairman. The conversation was then dutifully reported by Flugge to the AWB Board of Directors meeting on 27 February, 2002. Minutes from the meeting state Dauth "believed that US military action to depose Saddam Hussein was inevitable and that at this time the Australian government would support and participate in such action."[112] The AWB Board was given advance notice of the Howard Government's intention to participate in the US invasion of Iraq, thirteen months before the

Australian public were informed.

Australian involvement in the Coalition ensured access to the US Presidency. In early May 2003, before the bombs had even stopped dropping, Bush hosted Howard, who he repeatedly referred to as his "good friend", at his Crawford, Texas ranch.[113] Just the week before, federal Trade Minister Mark Vaile had led a delegation of Australian companies to Washington to stump for Reconstruction contracts.[114] Australian officials were already on the ground as CPA officials in Baghdad, and Australia was co-head of the Ministry of Agriculture. Not long after, the existing and subsequent contracts for AWB were secured, with the Bush Administration's seal of approval.

These deals were secured despite complaints to Bush and the US Congress from US wheat farmers that AWB's contracts were corrupt and laden with kickbacks. Darryl Hockey, the AWB executive who took over Michael "Proton" Long's embedded position in the CPA's Ministry of Trade, testified before the Cole Inquiry that US officials in Baghdad had bluntly told him that they were going to prove that AWB had paid the kickbacks and had violated the sanctions, and thus ensure any future wheat contracts would go to the Americans. But then, according to Hockey, the word apparently came from Washington to back off, and the investigation was not pursued.[115]

The relationship between Australia's military commitment and commercial advantage was crystallized in comments made by Australian Major General Jim Molan, who was linked to major combat operations for the US and multi-national forces, and rose to the third highest rank in the Coalition forces in Iraq.[116] In an address in July 2005 to the Australian Industry and Defence Network, Molan stated that "Everyone else with troops in Iraq is making money, the Poles, the Ukrainians, the Brits, the Dutch, everyone except Australia. It's time we turned that around."[117] As evidenced throughout this report, if Australia has not been making money in Iraq, it's not for lack of trying.

The pursuit of commercial gain has been a hallmark of Australia's role as an occupying power in Iraq. Humanitarian aid was used to assist corporations like the AWB, and to ensure other Australia-based corporations like BHP-Billiton would be first-in-line to exploit Iraq's resources. There has been no proper accountability regarding the aid money the Australian Government has spent in Iraq on behalf of Australian taxpayers. Furthermore, the fact that it seemed that in key decisions about Australian aid expenditure such as the deployment of CPA advisors, were dictated by Howard and his Ministers, rather than the development expertise within AusAID, the Australian agency with the mandate for aid delivery is also of concern full stop

A full audit of Australian aid spending, detailing the objectives and outcomes of Australian expenditure that supported the CPA, should be made publicly available.

More broadly the Australian Government should also be held accountable for its role in the Coalition Provisional Authority, and specifically the mismanagement of $US 12 billion in Iraqi state revenue.

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