United States Senate
WASHINGTON, DC 20510

April 3, 2006

The Honorable Robert J. Portman
United States Trade Representative
600 17th Street, NW
Washington, DC 20250

Dear Ambassador Portman:

A report submitted last year by former Federal Reserve chairman Paul Volcker to the United Nations Secretary General concluded that kickbacks under Oil for Food paid by AWB Ltd. (formerly the Australian Wheat Board) to the regime of Saddam Hussein amounted to more than $200 million between 1999 and 2003, the largest amount for any single company. The government of Australia recently launched an inquiry into AWB's activities led by Terrance Cole, a retired Australian judge. The inquiry is intended to determine whether there is reason to believe that Australian law was violated by the kickbacks that were paid by AWB Ltd. in contravention of UN rules.

As the facts have emerged, it is now evident that AWB maintained its hammerlock on wheat sales to Iraq during this period in large part by means of these kickbacks. The price of maintaining AWB's market share fell on the Iraqi people, who did not receive the full amount of food and other humanitarian goods that they would have if the program had been run cleanly, but also on competing wheat sellers, including those in the United States. Press reports also indicate that AWB has engaged in questionable practices elsewhere, including Iran, Pakistan, Yemen, and Indonesia. The Cole inquiry has also disclosed evidence that suggests AWB utilized the Oil for Food program to collect debts apparently owed by Iraq to an Australian oil company, and collected a fee for doing so.

AWB was purportedly established as a private company distinct from the government of Australia in 2000, but evidence from the Cole inquiry as well as recent actions indicate that the Australian government still uses its influence on behalf of AWB. A few weeks ago, Australia's Trade Minister traveled to Iraq on a few days' notice to try to convince the grain purchasing arm of the Iraqi government, the Iraqi Grain Board, to reverse its decision to bar AWB from participating in future wheat tenders. While that effort failed, the Board did agree to buy several hundred thousand tons of Australian wheat from an entity other than AWB.

These developments underscore the critical importance of reining in the operations of state trading entities (*STE's*) in the agricultural negotiations of the Doha Development Round. These concerns also apply to entities like the Canadian Wheat Board, which is even more explicitly tied to the Canadian government. Such disciplines have been a part of the U.S.

proposal for several years, and it is now imperative to obtain results. Monopoly authority over a country's agricultural exports, sanctioned or aided by governments, increases the opportunity for unfair trade practices that distort world markets.

We also ask you to look into whether the apparent kickbacks paid by AWB to maintain wheat market share in Iraq constitute an unfair trade practice under U.S. trade law or WTO rules, and take action accordingly if the situation warrants. Earlier this year, we wrote to Agriculture Secretary Johanns asking him to look into whether it was appropriate for the U.S. affiliate of AWB to remain eligible for a USDA export credit guarantee program under these circumstances. In his response of February 10, the Secretary indicated that he had directed USDA officials to monitor the progress of the Cole investigation and keep him apprised, and to weigh the questions raised in our letter. We encourage you to coordinate with Secretary Johanns regarding this matter to ensure the United States is responding forcefully to AWB's unfair trade practices. This coordination will be essential to carry out an effective, comprehensive response in stopping state trading enterprises abuses in WTO negotiations, fully pursuing trade remedies now available to the United States and ensuring AWB affiliates are not improperly utilizing USDA export programs.

We look forward to working with you on this matter and other issues. An identical version of this letter will also be sent to Secretary of Agriculture Johanns.

Sincerely,

Tom Harkin

Max Baucus

Ken Salazar

Byron L. Dorgan

Kent Conrad

Cc: The Honorable Mike Johanns