

East Timor and the politics of oil

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Rarely does a veteran diplomat reveal the real concerns driving the foreign policy manoeuvres of a government he has served for decades. Such is the case, however, with an article that appeared in the *Australian Financial Review* this week written by Richard Woolcott, a former Australian ambassador to Indonesia and then secretary of the Department of Foreign Affairs and Trade.

Woolcott's article sheds light on the jockeying for position now taking place between various governments and oil companies over the future of the former Portuguese enclave of East Timor, or more particularly, the island's considerable oil and natural gas reserves, including those in the Timor Gap, the seabed between Timor and Australia.

The article was prompted by an "historic shift" in Australian policy on East Timor announced on January 12 by Foreign Affairs Minister Alexander Downer. The minister said Canberra had decided to join calls for an "act of self-determination" in the Indonesian-occupied territory, that lies less than 500 kilometres to the north-west of Australia.

Australian governments, both conservative and Labor Party, have supported the Indonesian annexation of East Timor ever since 1974-75, when the then Labor prime minister Gough Whitlam held two meetings with the Indonesian dictator General Suharto to assure Suharto of Australian blessing. More than 200,000 Timorese--a quarter of the population--have died under Indonesian military rule since December 1975.

In 1978 the Liberal-National Party government of Whitlam's successor, Malcolm Fraser, became the first in the world to formally recognise Indonesian sovereignty, in return for negotiations with Jakarta on sharing the spoils of the Timor Gap. The Labor government of Bob Hawke came to office in 1983 with a platform proclaiming "the inalienable right of the East Timorese to self-determination and independence" but

quickly reaffirmed Fraser's recognition of Indonesian sovereignty and signed the Timor Gap Treaty in 1989.

As recently as December 1995, the Keating Labor government signed a unique security treaty with Jakarta, committing the Australian military to intervene on Suharto's behalf in the event of instability. Now that Suharto has fallen, new arrangements are being sought to protect Australian corporate interests in Indonesia and East Timor.

It is the future of the Timor Gap Treaty that Richard Woolcott raised in his article. He said both the Howard government and the Labor opposition had seen a need to change their policies on East Timor to meet what he described as an "evolving situation in Indonesia".

His concern was that, "apart from an issue of regional significance, such as the possible fracturing of Indonesia, the changes could lead to substantial financial implications for the government if the Timor Gap Treaty, signed in 1989, were to unravel." Woolcott noted that major companies are exploring for oil and gas under the umbrella of the treaty. If Australian recognition of *de jure* Indonesian sovereignty over East Timor were abandoned, the treaty could be nullified, resulting in substantial financial claims.

Woolcott emphasised that the principle of self-determination "is not a sacred cow". Indeed, the Timor issue provides a graphic picture of the way Western governments use lofty appeals to this principle to suit their commercial and strategic interests.

In announcing the most recent shift, Downer was deliberately vague. Self-determination did not mean independence, or even a referendum on secession, he said. The government was "of the view that the long term prospects for reconciliation in East Timor would be best served by the holding of an act of self-determination at some future time, following a substantial period of autonomy". He added that this policy adjustment "does not alter the Government's

position which continues to recognise Indonesian sovereignty over East Timor".

At the same time, ruling circles in Australia--and the companies drilling in the Timor Gap, which include Australia's BHP and its partners, Santos, Petroz and Inpex Sahul--are scrambling not to be left behind if the Indonesian regime continues to breakup. Other forces are staking claims to the undersea reserves, including Portugal, which the UN still recognises as the sovereign power in East Timor, and the East Timorese leaders.

This is reflected in the position of the Labor Party. It has criticised Downer for not going far enough. After being for 23 years the most fervent supporter of Indonesian rule, Labor is now calling for the renegotiation of the Timor Gap Treaty to transfer Indonesian royalties to an autonomous East Timorese administration. Labor's foreign affairs spokesman Laurie Brereton also displayed rare candour in estimating that such an administration would have access to \$A150 million a year in oil and gas royalties.

BHP commenced oil production at its Elang, Kakatua and Kakatua North fields in July 1998. Royalty revenues at present are only \$6.25 million a year but Brereton said the figure would rise considerably when BHP began operating the Bayu-Udan natural gas project in 2002. By one estimate, the oil and gas reserves in the treaty zone are worth \$19 billion.

Brereton, a leading minister in the previous Labor government, claimed that by allocating royalties to East Timorese representatives, the Australian government would finally have "a principled East Timor policy". The revenue would "contribute very significantly to the development of East Timor and the wellbeing of its people".

As the record demonstrates, Labor's concerns are not for the wellbeing of the East Timorese people but the profits and strategic interests of Australian capitalism. Sections of business are now looking for a partnership with an aspiring East Timorese ruling elite. Labor's policy turn followed a statement last July by the National Council of Timorese Resistance (CNRT) that an East Timorese government would provide the oil companies with a "more secure and predictable environment" than the Indonesian administration.

"The National Council of Timorese Resistance will endeavour to show the Australian government and the Timor Gap contractors that their commercial interests

will not be adversely affected by East Timorese self-determination," the statement said. "The CNRT supports the rights of the existing Timor Gap contractors and those of the Australian government to jointly develop East Timor's offshore oil reserves in cooperation with the people of East Timor."

The CNRT, headed by the jailed former resistance fighter Xanana Gusmao and Nobel Peace Prize winner JosÃ© Ramos Horta, is primarily a bloc between East Timor's three main parties, Fretilin, UDT and Apodeti, all of which now favour a gradual transition to some form of self-rule, possibly in association with Portugal, or even Australia.

Gusmao last year held talks with a BHP executive in Jakarta's Cipinang prison, where he has been allowed a constant stream of high-profile visitors. Recently he held talks with three US congressmen. Australia has joined other Western governments in urging the Habibie regime to release Gusmao so he can actively participate in UN negotiations currently under way between Indonesia and Portugal.

Both Gusmao and Horta welcomed the Howard government's new line, with Horta describing it as "courageous". The CNRT leadership is looking for an arrangement with Canberra or any other Western power--or oil companies--which will support the ultimate formation of an East Timorese mini-state.



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