

Timor Gap dispute highlights motives behind Australian intervention

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An impasse in negotiations between Australia and the UN over the future of the immense oil and natural gas deposits beneath the Timor Sea has thrown a new spotlight on Australia's claim to have sent troops to East Timor last year for humanitarian reasons.

In three days of formal talks in the East Timor capital of Dili this month, the Australian government refused to address a call by the United Nations Transitional Authority in East Timor (UNTAET) for the realignment of the undersea boundary between Australia and Timor.

According to the current border—fixed by the 1989 Timor Gap Treaty between Australia and Indonesia—Australia controls the overwhelming portion of the oil and gas reserves. Under that treaty, never recognised in international law, the Suharto regime handed Canberra a generous slice of the offshore exploration fields in return for Australia's support for, and formal recognition of, the 1975-76 Indonesian annexation of East Timor.

The Treaty created three zones where the revenues were shared between Jakarta and Canberra. But if the boundary were redrawn along the median point between Australia and Timor—the principle generally applied in international law—all the proven oil and gas fields, currently valued at more than \$US20 billion, would lie in East Timorese territory.

The Dili meeting was the first round of negotiations between Australia and UNTAET over replacing the 1989 Treaty. Australian Foreign Minister Alexander Downer refused to comment on the substance of the talks or the Howard government's desired split-up of the seabed boundary after East Timor is granted nominal independence next year.

But a UNTAET cabinet member, Peter Galbraith—a former US ambassador to Croatia and son of the economist J.K. Galbraith—declared that East Timor would have a “sovereign right” to a continental shelf that

extended to the mid-point. “East Timor has clear entitlements under international law and I doubt that the East Timorese are likely to accept something less than they are entitled to,” he declared. “To be honest, the United Nations could not reconcile, and I personally could not reconcile accepting something the East Timorese could not accept.”

According to some media reports, in the next round of negotiations the Howard government may offer UNTAET a 70 percent share of the royalties, up from the current 50 percent, but only if UNTAET drops the territorial claim. Even this offer would fall well short of the 90 percent figure that has previously been demanded by the Timorese leadership of Xanana Gusmao and Jose Ramos-Horta.

While refusing to disclose its hand publicly, the Howard government has met the UNTAET position with thinly veiled threats to reduce aid to East Timor. Just before the Dili meeting, Downer bluntly dismissed Galbraith's talk of taking the dispute to the International Court of Justice as a “throw-away line,” implying that the UN was simply bluffing. Galbraith's comment would not be permitted to “overshadow negotiations,” Downer declared.

Canberra is anxious to avoid being taken to the international court, which in 1995 indicated support for a Portuguese challenge to the validity of the 1989 treaty. The UN and other international agencies refused to recognise Indonesian sovereignty over East Timor, continuing to regard Portugal, the former colonial ruler, as the legitimate authority.

As the Dili talks commenced on October 10, Downer directly linked their outcome to the level of Australian aid. “The extent to which East Timor itself is able to get the royalties, or a share of the royalties, the size of its share, plays into the overall size of the Australian aid program in East Timor and so on,” he said. “So there are a lot of issues tied up together here.”

Downer's colleague, Science and Resources Minister Nick Minchin, warned that a border dispute in the international court would frighten away billions of dollars of investment. "It is critical that the new treaty does maintain investor confidence in the Timor Gap," he told the Australian parliament. "Without that there will be no financial or employment benefits for either the East Timorese people or us."

Minchin announced two puny aid measures for East Timor—funded by Timor Gap fees that Canberra extracts from oil companies. Costing just \$700,000 a year for two years, the programs will examine East Timorese job prospects in the oil and gas industry and provide training and advice to "facilitate East Timorese understanding, administration and policy development on matters relating to the terms of the Timor Gap Treaty and Timor Gap resource management issues". Minchin did not say this offer was conditional on accepting Australian sovereignty over the disputed territory, but the implication was clear enough.

Another round of negotiations is due before the end of November, with companies such as Phillips pressing for an early resolution of the differences.

Canberra's position is rooted in definite commercial as well as strategic calculations. With parts of the central Timor Sea still to be explored, the existing discoveries contain some 15 trillion cubic feet of natural gas, about twice the resources of Australia's North-West Shelf offshore fields. Just to the east, the Evans Shoal discovery has another 8 trillion cubic feet.

The government revenues to be divided between Canberra and Dili from the main Bayu-Undan field, which lies in a zone now shared between Australia and UNTAET, could reach more than \$5 billion over 24 years. An Australian-Japanese-US-British consortium headed by US oil giant Phillips Petroleum last year committed itself to the \$1.4 billion first stage of the project, due to come on line in 2004. Another stage, costing \$1 billion to transport the gas to the northern Australian city of Darwin, depends on the outcome of the talks.

The Australian government is already obtaining \$6 million a year in royalties from the much smaller 140,000 barrels per day Laminaria project, which lies just inside Australian waters according to the current boundary. In addition, the North Australian Gas Venture of Woodside Petroleum and Royal Dutch Shell has vast gas reserves that partially lie in the contested zone.

Redrawing the boundary with East Timor would also call into question the entire underwater border agreed

with Indonesia in 1972, which is drawn extremely close to Timor and other islands in the Indonesian archipelago. Anxious to retain Australian diplomatic support, the Suharto regime accepted Australian sovereignty over nearly all of the north-western continental shelf. Portugal, however, refused to sign a similar deal for East Timor, leaving a "gap" in the Indonesian-Australia border that was then "filled" by the 1989 Treaty.

Australian media commentators have expressed concern that the Howard government's intransigence on the border dispute will discredit the official humanitarian rationale for the dispatch of Australian troops to East Timor. "Some observers believe," noted a front-page article in the *Sydney Morning Herald* last week, "the Howard government is attempting to conceal its bid to minimise East Timor's share of Timor Sea mineral wealth because it would be unpopular domestically where there is strong support for the long suffering East Timorese. It could also damage Australia's international reputation as the saviour of East Timor."

These concerns have been reflected within the other political parties that bear responsibility for the Timor intervention, notably the Labor Party and the Australian Democrats. Labor's foreign affairs spokesman Laurie Brereton has called for agreement on an equidistant boundary, while his Australian Democrats' counterpart, Vicki Bourne, has advocated allocating 90 percent of Timor Gap revenue to East Timor.

These parties were among the most vocal in demanding the deployment of troops last year. By promoting the alleged humane objectives of the Australian-led operation, they helped to overcome public distrust in the Howard government's motives.

Throughout all the twists and turns of Australian policy—from justifying the 1975-99 military subjugation of Timor's people at a cost of some 200,000 lives to suddenly claiming to be preoccupied with rescuing them from Indonesian-backed militias—successive Australian governments, both Liberal and Labor, have had a common objective—to secure a controlling stake in the Timor Sea oil and gas reserves.



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