

Australia refuses to relinquish control over Timor Sea oil and gas

Mike Head
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Less than two years after sending 4,000 troops to East Timor on the pretext of defending its population from pro-Indonesia militia, the Australian government is locked in an increasingly bitter dispute with East Timor's UN administration for control over an estimated \$US20 billion worth of natural gas and light oil deposits beneath the Timor Sea.

Tensions between the Howard government and the UN Transitional Authority in East Timor (UNTAET) have soared since the fourth round of negotiations over the disputed underwater border broke down earlier this month.

In talks held in Australia, two UNTAET cabinet members, Peter Galbraith, a former US diplomat, and Mari Alkatiri, a leading figure in the Timorese National Resistance Council (CNRT), rejected Australia's latest position. In November 2000, the Howard government offered East Timor a 60 percent share of Timor Sea revenues. It has now apparently upped its offer to an 80-20 or 85-15 split in East Timor's favour, but only if East Timor drops its demand for the highly unequal boundary to be redrawn.

Faced with the Howard government's continued intransigence on the border issue, Galbraith took East Timor's case to the annual Australian Petroleum Production and Exploration Conference. He warned the oil and gas company executives that East Timor would not be "open for business" until Australia agreed to shift the boundary to the internationally accepted median line.

Galbraith indicated that the midpoint principle—setting the border halfway between the two coastlines—would give East Timor control over the lucrative Laminaria and Buffalo oil fields, now operating under Australian licences, and shift up to 80 percent of the Greater Sunrise gas field to East Timor, which currently controls 20 percent. East Timor would also claim the planned Bayu-Undan gas project.

Galbraith pointed to the origins of the current border in Australia's sordid deals with the Suharto military dictatorship. Even though nearly all the proven reserves are closer to Timor than Australia, Canberra achieved rights to more than 50 percent of the overall oil and gas revenue

through the Timor Gap Treaty, signed with Suharto in 1989. The price was Australia's support for the Indonesian invasion of East Timor in 1975 and its recognition of Indonesian sovereignty over the former Portuguese colony.

Speaking on behalf of UNTAET, Galbraith warned that drilling projects could suffer lengthy delays if a deal was not struck before July 15, when the UN administration will go into caretaker mode prior to East Timor's first national assembly. He added that a delay might favour East Timor, giving it time to find ways to pipe gas to its shores, rather than allow a proposed \$5 billion pipeline to Darwin, the capital of Australia's Northern Territory.

His remarks provoked a belligerent series of articles in the *Australian Financial Review* over the past week urging the Howard government to take an even more uncompromising and bullying stance when talks resume next month.

One of the newspaper's leading commentators, Geoffrey Barker, accused Galbraith of "moral zealotry" and making "outrageous demands". He declared that Galbraith was subjecting Australia to "moral blackmail" by referring to its past backing for the Indonesian junta.

Barker provided a glimpse of the discussion taking place in Australian ruling circles. "Corporate observers and Australian government officials are concerned that East Timor's negotiating stance has been captured by the UNTAET Cabinet member for Political Affairs and the Timor Sea, Peter Galbraith, a man deeply hostile towards Australian East Timor policy."

Barker insisted that the Howard government reject the Timorese position and threaten to pull out of the negotiations.

"What Australia cannot concede is Galbraith's demand for a new treaty with revised boundaries that would effectively lock Australia out of the Timor Gap before major projects go ahead. If he maintains that position at next month's scheduled round of talks, Australia will have no choice but to walk away, and East Timor will remain impoverished and dependent because Galbraith's hatred of Indonesia and Australia was stronger than his commitment to East Timor."

According to the *Financial Review*, the Northern Territory to East Timor would be in the range of just \$50-100 million. (NT) Chief Minister Denis Burke has also urged the Howard government to take a hard line. Burke and his Resource Development Minister Daryl Manzie flew to Canberra last week for talks on the issue with Foreign Minister Alexander Downer. Burke told the newspaper that he was “stunned” by Galbraith’s comments.

Downer appears to agree. His spokesman told Dow Jones Newswires earlier this month that the existing border was “supportable and we’ve not been seeking to change the boundary”. Backed by Industry, Science and Resources Minister Nick Minchin, Downer has already made thinly disguised threats to cut Australian aid if East Timor continues to demand a redrawn border.

A new factor that may heighten tensions even further is the recent demand by politicians and interest groups in Indonesian-ruled West Timor for a place at the bargaining table. Shifting the Australia-East Timor border inevitably reopens the issue of the Australia-Indonesia border, which was drawn substantially in Australia’s favour in 1972, when the Suharto junta was keen to retain Canberra’s diplomatic support.

West Timorese groups have recently written to Indonesian President Abdurrahman Wahid, UN secretary-general Kofi Annan and Australian Prime Minister John Howard, calling for Indonesia to be included in the talks. The letter asserts that West Timor should share the oil and gas income equally with Australia and East Timor and declares that “the residents of West Timor” will refuse to allow the Timor Gap area “to become a time bomb for the West Timorese”.

Both the Australian government and UNTAET are under mounting pressure from the oil companies involved in the Timor Sea, including US giant Phillips Petroleum and Australian-owned Woodside Petroleum. The companies have declared that they may cancel or delay planned projects if the dispute is not settled before mid-year.

In his speech, Galbraith highlighted the economic stakes. He cited a study prepared by the Centre for International Economics for the NT government. It calculates that two projects alone—the Sunrise gas and Methanex methanol projects—would entail capital spending of \$4.7 billion over the next decade, generating 2,800 jobs, mostly in the NT and producing \$1.032 billion in additional revenue for NT, or \$1,994 for every resident in the NT.

When the Sunrise/Methanex project was fully operational in 2012-13, it would add \$1.015 billion annually to Australia’s GDP, of which \$885 million would go to the NT. Average annual household consumption in the NT would be boosted by \$420, which is more than the average income of an East Timorese person. By contrast, because the project is mostly in a zone currently controlled by Australia, the

annual benefit to East Timor would be in the range of just \$50-100 million.

Galbraith described the resources in the Timor Sea as “vast,” with Greater Sunrise holding nearly 10 trillion cubic feet (TCF), Bayu-Undan 3 TCF and Laminaria, Buffalo and Elang Kakatua already producing 220,000 barrels a day. These calculations are borne out by an article last week in the London-based *Financial Times*, which estimated that the oil and gas supply could last for up to 50 years.

This potential bonanza, together with a strategic partnership with Suharto, consistently guided the policy of successive Australian governments after the first deposits were discovered in the late 1960s. Portugal, the colonial ruler of East Timor, refused to agree to Australia’s claim to the entire undersea continental shelf that extends almost to Timor’s coast. Canberra powerbrokers, notably former Foreign Affairs departmental head Richard Woolcott, drew the conclusion that it would be easier to make a deal with the Suharto regime.

The Whitlam government had these considerations in mind when it secretly supported the Indonesian invasion in October-December 1975. The Fraser government formally recognised the Indonesian takeover in return for Suharto’s agreement to negotiate a treaty over the “Timor Gap.” The negotiations reached fruition in the 1989 treaty, signed by the Hawke government.

Elected to office in 1996, the Howard government sought to maintain these arrangements until mid-1999, by which time Suharto had fallen, his successor Habibie had agreed to a secessionist ballot in East Timor and Portugal was winning increasing international support for its residual claims to East Timorese sovereignty. After supporting Indonesian military rule over the enclave for almost 24 years, the Canberra political and military establishment quickly switched its policy to endorse Timorese “independence”. This provided the necessary justification for Australia to head the UN military intervention.

Under the guise of safeguarding the lives of the Timorese people, the Howard government sent troops to protect Australia’s strategic and commercial interests in the region, notably the Timor Sea oil and gas reserves. As the acrimonious boundary dispute has revealed, amid all the twists and turns of Australia’s foreign policy, its fundamental goal—oil and profits—has remained unchanged.



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