

Australia bullies "independent" East Timor over oil and gas

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Even as East Timor was declared to be the world's newest independent nation on May 20, a bitter conflict was underway behind the scenes over Australia's insistence on retaining the lion's share of the tiny territory's only substantial natural resource—the huge oil and natural gas deposits beneath the Timor Sea between the two countries.

Both before and after the UN handover ceremony, the new state's formation has been dominated by the very issue that has driven all the twists and turns in East Timor's fate over the past three decades: the scramble between rival predators for control of the seabed reserves.

The Australian government is demanding that East Timor's leaders abandon any claim to redraw the highly unfavourable maritime boundaries contained within the 1989 Timor Gap Treaty. The treaty was struck by the Indonesian military dictatorship under General Suharto with the Keating Labor government in return for Australia's formal recognition of Indonesia's takeover of East Timor in 1975.

At Canberra's insistence, Chief Minister Mari Alkatiri signed a new Timor Sea Treaty within hours of taking office, preserving the 1989 treaty's joint development zone, which allocates much of the seabed wealth to Australia. If the zone were replaced by a border drawn in accord with international law, the vast bulk of the deposits would belong to East Timor.

Nevertheless, despite intense pressure from Canberra, Alkatiri refused to agree to fix the border permanently. The May 20 treaty expressly stated that it was signed "without prejudice" to East Timor's right to a final seabed delimitation.

As soon as the ink was dry on the document, Australian Foreign Minister Alexander Downer flew to Jakarta for talks with Indonesian ministers, where he declared that the Howard government had told the East Timorese leaders it would never renegotiate the maritime border.

Under criticism by opposition politicians for signing the accord, Alkatiri immediately accused Downer of making a "completely false statement". Alkatiri claimed that during the independence day lunch, Downer assured him that Australia was ready to negotiate new boundaries. Alkatiri hinted at refusing to have the treaty ratified in East Timor's national assembly, setting the scene for an acrimonious dispute.

Adding to the bitterness is the fact that in the lead-up to independence, on March 26, the Australian government suddenly announced it would no longer submit to maritime border rulings

by the International Court of Justice (usually referred to as the World Court) and the International Tribunal for the Law of the Sea. Alkatiri described the move as an "unfriendly" act, "tying the hands" of his government. Former UN administration cabinet minister, ex-US diplomat Peter Galbraith, accused Australia of "bad faith" and described its conduct as "unacceptable in international practice".

Some 150 angry protesters confronted Australian Prime Minister John Howard when he traveled to Dili, East Timor's capital, to witness the independence ceremony and initial the document. They accused Australia of defrauding the tiny state, carrying banners reading "Australia, stop stealing Timor's oil."

Howard bluntly dismissed the demonstrators' concerns, insisting that the agreement was "a very good deal" and "extremely fair" to the Timorese people. His claim, generally given uncritical coverage in the Australian and international media, is based on his government's decision to divide the royalties from the joint exploration zone 90:10 in East Timor's favour. But this revenue split, originally announced last July, was only offered on condition that the new East Timorese government relinquished all territorial claims.

The 1989 shared zone covers most of the known oil and gas deposits on the continental shelf between Australia and Timor. If the border were redrawn according to the mid-point principle adopted by the 1982 UN Convention on the Law of the Sea (UNCLOS), one of the largest gas reserves, Bayu Undan, would be exclusively within Timorese territory, giving Dili royalties worth up to \$US4 billion over two decades.

If the mid-point principle were extended to the east and west, beyond the joint zone, East Timor would benefit even more. According to legal opinion, it would be entitled to 80 percent of the largest deposit in the region, Greater Sunrise, with reserves estimated at between three and seven times greater than Bayu Undan. At present, only 20 percent of Greater Sunrise lies within the shared zone, giving East Timor just 18 percent of its royalties. The difference amounts to \$US36 billion in royalties between 2009 and 2050.

East Timor could also claim the smaller Laminaria/Corallina project, currently treated as Australian. This project is thought to contain 200 million barrels of oil and gas and is already paying about \$US300 million per year to the Australian Treasury.

But royalties are only a small part of the picture. Nearly all the refining, distribution and servicing projects, involving the

overwhelming majority of investment, profits, taxation revenue and jobs, are currently earmarked for northern Australia. Among these are two gas-processing plants to be established in the Northern Territory capital, Darwin, and a major pipeline linking Darwin to southern Australia.

None of the major oil companies operating the offshore projects under the 1989 treaty has proposed a pipeline to East Timor, which is closer to the reserves. Yet, according to geological experts, this is now technically feasible, despite a deep undersea trough off Timor's coast. Downstream processing in East Timor would create jobs for at least some of East Timor's unemployed, who continue to live in abject poverty.

Above and beyond the royalties, taxation and investment issues, the Timor Sea reserves are regarded in Canberra as a critical strategic issue, with crucial implications for energy supplies and export revenues. In Jakarta, Downer blurted out one of Australia's main concerns: if the Timor border were fixed according to the UNCLOS rule, the Indonesian regime could demand a similar redrawing of its equally unfavourable boundaries. Downer described this prospect as "disastrous" and "a very, very big issue" for Australia.

For that reason, Downer ruled out any renegotiation of the East Timor boundaries and also sought an undertaking from Indonesian ministers that they would not reopen the border issue. No clear assurances were forthcoming. In recent months, politicians from Indonesian West Timor have threatened to seek a new maritime demarcation with Australia, giving them a share of some offshore projects.

These disputes can all be traced back to 1972, when Suharto signed a border treaty with Australia, ceding control over most of the continental shelf, as a reward for strong Australian support for his bloody regime. Portugal, by contrast, then the colonial ruler of East Timor, refused to negotiate a similar accord with Australia. This left an unresolved 300-kilometre "gap" in the Indonesian-Australian border, adjacent to East Timor.

Portugal continued to assert sovereignty over the area and, during the early 1970s, the Caetano regime in Lisbon granted a number of exploration concessions in the Timor Gap. After the 1975 Indonesian invasion, Portugal maintained its claims and refused to recognise the 1989 Timor Gap Treaty.

At least two companies are currently asserting pre-1975 Portuguese claims. One, the US oil company Petro Timor, has offered to fund an East Timor case in the World Court. It has legal advice that Australia cannot "just walk away" from the court, which, in 1995, issued an opinion that the 1989 treaty was invalid, on the grounds that Portugal remained the sovereign power in the territory. Another US company, Unocal, has advocated the construction of a pipeline to East Timor.

Thus, even in its birth, East Timor continues to be a pawn in the sordid manoeuvres between Australia, Portugal and Indonesia. Apart from the strategic concerns and government revenue at stake, immense corporate interests are involved. Among the main consortia now exploiting the reserves under the Timor Sea Treaty are US oil giant Phillips Petroleum and the Anglo-Dutch Shell group.

Other companies with significant investments in the Timor Sea

include Woodside Petroleum (an Australian-controlled partial subsidiary of Shell), Santos (Australia's largest onshore gas developer), Inpex (a Japanese-based company with extensive Indonesian interests), Kerr-McGee Corp (US-based), Petroz (a smaller Australian company), Agip (Italian) and Osaka Gas (Japanese).

It is difficult to put an overall figure on the expected profits from the Timor fields, but Woodside Petroleum's annual general meeting in April was told that Greater Sunrise alone would generate about \$30 billion.

During his brief stop in Dili, Howard issued two thinly veiled threats. First, he bluntly ruled out substantial aid, warning the East Timorese leaders that the country's economic viability depended on their "capacity to create a good business environment and attract foreign investment".

Second, Howard said Australia would keep 1,200 troops in East Timor "for as long as necessary". As several commentators have observed, while this military presence is ostensibly directed at preventing renewed pro-Indonesia militia activity, Canberra's primary interest is to protect the oil and gas operations.

This is not the first time the Howard government has resorted to strong-arm tactics. Throughout 15 months of tense negotiations with UN and East Timorese leaders before last July's agreement to retain the old joint zone, Downer and other Australian ministers frequently raised the prospect of reducing aid to the destitute territory.

Under the new May 20 agreement, Australian and East Timorese officials are due to begin talks on carving up taxation revenue from the Greater Sunrise project within weeks, with a December 31 deadline for concluding a final accord. East Timor support groups have warned that if Australia refuses to make concessions, there could be resentment, frustrations and "bad blood" among the East Timorese people.

East Timor's leaders are appealing for an accommodation with Canberra to avoid an open conflict. Even as he accused Downer of misrepresenting the May 20 treaty, Alkatiri ruled out going to the World Court and appealed for "friendly discussions between two friendly countries". Foreign Minister Jose Ramos Horta went further, insisting that, as a "fair-minded country," Australia would eventually concede a greater share of the oil and gas wealth to East Timor.

The record of recent weeks, not to speak of the past three decades, tends to indicate otherwise.



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