Australia bullies East Timor over oil and gas

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The Australian government is deliberately delaying the signing of an agreement with East Timor, known as the Timor Sea Treaty, as a means of blackmailing the small, newly independent country into conceding a greater share of off-shore oil and gas reserves to Canberra.

The treaty, which was agreed last May, was due to be ratified by both sides by the end of last year. The East Timorese parliament carried out its side of the bargain and formally approved the document in December. Australia still has not. As a result, contracts potentially worth billions of dollars are being placed in jeopardy, threatening the main source of revenue for the impoverished half-island.

Even though a parliamentary committee recommended ratification, the treaty was not presented to the Australian parliament in the final session last year. Parliament resumed sitting this week but it is still not clear when, or even if, the treaty will be finalised. A spokesman for Foreign Minister Alexander Downer indicated that the legislation had been drawn up and "would be passed reasonably quickly". But he refused to offer "a strict timeframe," pleading the vagaries of the parliamentary process.

The delay, however, has nothing to do with parliamentary procedure. The Howard government has tied the treaty's ratification to a satisfactory deal with East Timor on what is known as the International Unitisation Agreement (IUA)—a rather pompous title for unsavoury haggling over the division of the substantial oil and gas reserves not covered by the treaty.

The complexities of the process all stem from the ambitions of successive governments in Canberra to control the lion's share of the Timor Sea oil and gas. East Timor only reluctantly agreed to the unfavourable terms in the present treaty, which includes key elements of Australia's previous arrangement with Indonesia. Under the 1989 Timor Gap Treaty, the Suharto dictatorship allocated much of the seabed wealth to Australia in return for Canberra's formal recognition of Indonesia's military takeover of East Timor in 1975.

The current treaty maintains the joint development zone established by Indonesia and Australia. The Howard government has made great play of its offer to provide East Timor with 90 percent of the revenue from this zone, which includes the Bayu Undan field. But most of a far larger field—Greater Sunrise—lies outside the joint development zone and, if the terms of the 1989 treaty were maintained, would go to Australia.

East Timor has insisted that the border between the two countries be set according to the 1982 UN Convention on the Law of the Sea (UNCLOS) not the 1989 agreement. If the border were set according to UNCLOS principles then most of Greater Sunrise and other smaller deposits would fall to East Timor. The "unitisation" talks are a bid to settle the division of the Greater Sunrise reserves.

The Australian government clearly believes that it is on shaky ground as far as international law is concerned. Last March Canberra suddenly announced that it would no longer submit to maritime border rulings by the International Court of Justice and the International Tribunal for the Law of the Sea. Instead, the Howard government is trying to bully East Timor into submission with its delaying tactics which threaten to undermine commercial projects.

The East Timorese administration is desperate for the revenue from the $US3.5 billion development of the Bayu-Undan field planned by ConocoPhillips. The US-based oil corporation signed a heads of agreement in December 2001 with the Tokyo Electric Power Corporation and Tokyo Gas Corporation to buy most of the output of liquefied gas. But this preliminary agreement will expire on March 11 unless Australia ratifies the Timor Sea Treaty, calling the whole project

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into question.

Even if ConocoPhillips retains its Japanese customers in what is a highly competitive market, the delay will compromise the construction schedule. The second stage of the project, which is estimated to take three years, is due to be completed by January 2006 in time to begin shipments to Japan. East Timor, which has very few sources of income, is expected to receive some $3 billion in revenue from the Bayu-Undan field over the course of its projected 17-year operation.

The delay in ratifying the treaty and concluding the IUA talks also undermines the consortium seeking to exploit the larger Greater Sunrise field which is expected to have a life of 50 years and to be worth some $20 billion in government royalties. The group of companies—Australian-based Woodside Petroleum, Santos and Royal Dutch Shell—is yet to sign up major customers, in part because the formal arrangements between Australia and East Timor are not concluded.

East Timorese officials flew to Canberra for talks on the IUA agreement beginning on January 21 but the discussions rapidly broke up without agreement. “We were shown the door for reasons which we frankly don’t understand,” Jonathan Morrow, coordinator of Dili’s Timor Sea office, told the British-based *Guardian* newspaper. “Australia has the opportunity to demonstrate that it is not trying to extract unfair concessions from this new country. It has the power of life and death over East Timor.”

The Howard government figures that it has East Timor over a barrel. If the oil and gas projects are significantly delayed or even put on hold, a number of Australian corporations may suffer financially and the Northern Territory, where gas-processing plants for the Bayu-Undan project will be built, would also be hit. But for East Timor the loss of income would be a disaster.

East Timor’s entire government budget for 2002 was just $77 million, half of which came from foreign aid and a trickle of money from oil and gas. Estimates of unemployment are as high as 80 percent. Even with a poverty rate set at just 50 US cents a day, a UN survey in 2001 found that 60 percent of people living in rural areas were living below the poverty line. Education and health services are very limited.

Even the *Guardian* felt compelled to comment: “The spectacle of someone large and powerful picking on a weak and desperate neighbour passes as bullying in the average playground. International politics, however, has a better name for it: diplomacy... The subject of Canberra’s latest round with the knuckle-punch and Chinese burn is the most famous bastardised kid in the Asia-Pacific playground. East Timor, less than a year old and struggling to escape from the effects of its 25-year occupation by Indonesia, has got in a fight with its powerful southern neighbour over those most coveted of commodities, oil and gas.”

Negotiations between Australian and East Timorese officials are continuing behind the scenes. It is quite possible that Canberra will bully Dili into accepting its terms in time for parliament to ratify the Timor Sea Treaty and meet the March 11 deadline. But the entire affair demonstrates, once again, that the Howard government’s deployment of Australian troops to East Timor in 1999 had nothing to do with any concern for the East Timorese people. It was guided by the preoccupation of successive Australian governments since 1975—control over Timor Sea oil and gas.

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