

East Timor calls on Australia to stop exploiting disputed oil field

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Long-running disagreements between Australia and East Timor over their maritime border and therefore control of Timor Sea oil and gas erupted again late last year, focusing on revenues from the Laminaria-Corallina fields. East Timor's Prime Minister Mari Alkatiri and Foreign Minister Jose Ramos Horta both accused Canberra of taking royalties that rightly belonged to Dili.

After talks between the two countries over the border last November, Alkatiri declared that Canberra was violating international law by unilaterally exploiting oil fields in a disputed maritime area. The prime minister claimed that Australia had gained \$US1.2 billion in royalties while East Timor had received nothing. He called for a halt in production in the fields until the maritime boundary had been settled and indicated that East Timor may seek repayment of the royalties.

The Laminaria-Corallina oil fields are operated by the Woodside, BHP Billiton and Shell corporations and began production in November 1999. Until recently, Laminaria-Corallina was Australia's largest oil field. At startup, output averaged 142,500 barrels a day, peaking at up to 180,000 barrels a day, before declining to just 50,000 barrels a day. Logistical support for the operation is based in Darwin in northern Australia.

Laminaria-Corallina was just one of several lucrative oil and gas fields that came under effective Australian control as a result of the Timor Gap Treaty signed with the Suharto dictatorship in Indonesia in 1989. Under the terms of the treaty, Jakarta allocated Canberra much of the seabed wealth in return for formal recognition of Indonesia's military takeover of East Timor in 1975.

East Timor's leaders, however, refuse to recognise the 1989 treaty and insist instead that the border should be based on the UN Convention on the Law of the Sea (UNCLOS). For the tiny, impoverished state, which

was granted formal independence in May 2002, oil and gas royalties offer one of the few possible sources of revenue and jobs. Well aware that East Timor desperately requires the income, the Howard government in Canberra has used delaying tactics to bully it into unfavourable agreements.

An initial treaty concerning the Bayu-Undan gas field was agreed at the time of East Timor's independence. Amid considerable publicity, the Howard government announced that it would cede 90 percent of the revenue to East Timor. The terms of the deal, however, maintained the joint development zone established by Indonesia and Australia and held out the prospect that Australia would retain control of the more lucrative Greater Sunrise field. Canberra deliberately delayed ratifying the agreement—a move that threatened the development of the Bayu-Undan field—to force East Timor to accept Australian demands for 80 percent of the Greater Sunrise field.

The fact that tensions have reemerged over the Laminaria-Corallina field is a measure of Dili's desperation to resolve the border dispute and ensure the flow of oil and gas revenues. If Dili were to receive part of the royalties from Laminaria-Corallina, it would provide immediate financial relief. Income from the Bayu-Undan development will not materialise until 2006 when gas deliveries to Japanese customers are due to begin.

East Timorese leaders are urging Canberra to speed up the negotiations over a final boundary settlement, hoping to secure a larger share of the seabed resources. For its part, the Howard government has arrogantly dismissed calls for a halt in Laminaria-Corallina production and is dragging out talks over the boundary, knowing full well that time will allow Australia to exploit existing fields.

East Timor's Foreign Minister Horta attempted to speed up negotiations during a visit to Canberra last December. He told the media that if the “middle-line approach” specified by UNCLOS were adopted, East Timor would control the entire Greater Sunrise field, potentially worth billions of dollars in royalties, as well as Laminaria-Corallina.

Horta explained that East Timor had been pressing for monthly meetings and a time limit of three to five years to resolve the border dispute. But Australia had rejected the proposal, agreeing only to meet twice a year—a recipe for dragging negotiations out indefinitely. The next round is not due until April. The Howard government has unilaterally ruled out any arbitration through the International Court of Justice or the International Tribunal on the Law of the Sea.

Following talks last year, Australian Foreign Minister Alexander Downer made clear that Canberra was in no hurry to settle the boundary issue. “Although negotiations on a permanent maritime (boundary) may take some time, legal arrangements are already in place to ensure that benefits from the development of Timor Sea petroleum resources will flow to both countries,” he said.

Australia's ongoing bullying of East Timor highlights once again that its military intervention into the half island in 1999 under the auspices of the UN had nothing to do with concern for the plight of the East Timorese. Rather throughout all the twists and turns of Australian policy toward East Timor—beginning with Canberra's tacit green light for the Indonesian invasion in 1975—a major goal has been to secure control of the Timor Sea oil and gas.

The ruling elite in Dili—having welcomed the Australian-led intervention as a means of gaining power—is in no position to strenuously resist. The so-called independent state of just 800,000 people is entirely dependent on the major powers, economically and militarily.

At the same time, the East Timor government is in desperate need of funds. The government budget was only \$77 million for 2002. Its total revenue, excluding foreign aid, is about \$75 million and the 2003-2004 budget will be \$60 million in deficit. While Dili wants access to oil and gas revenues, it wants to avoid alienating Canberra, which currently provides \$40 million annually to assist in policing and security.

The UN mandate for East Timor is due to expire on May 20 next year. Dili has already appealed to Canberra to maintain police and troops in the country, both to deal with any external threat and as a guarantee against internal opposition. High levels of poverty and unemployment have generated sharp social tensions and protests by workers, farmers and young people. Officially, 40 percent of the population lives below the poverty line of 50 cents per day.

In its contemptuous dismissal of East Timor's latest criticisms over the border dispute, the Howard government is well aware that the tiny nation is heavily reliant on Australian assistance. There is little doubt that in the discussions over the form and size of a continued Australian military and police presence, the issue of oil and gas will also be on the agenda.



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