

# Australia continues to pressure East Timor on oil and gas

John Roberts  
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Another round of talks between Australian and East Timorese officials over the disputed oil and gas fields in the Timor Sea concluded on September 30 without any agreement. The two sides left Darwin in northern Australia formally agreeing only to meet again some time after the October 9 Australian elections.

Canberra is continuing to bully East Timor into recognising the unfavourable maritime boundaries agreed in 1989 when Indonesia was still in control of the tiny impoverished half island. The re-election of the coalition government led by Prime Minister John Howard last weekend ensures that negotiations will continue in the same vein.

The talks are part of a series that began after East Timor was formally granted independence in May 2002. In the latest round, Australian officials attempted to bribe their East Timorese counterparts into accepting the existing boundaries in return for an increase in revenues. Canberra is keen to maintain the existing borders, not only to ensure its control of the lion's share of the gas and oil reserves, but also to avoid re-opening the issue of borders with neighbouring Indonesia.

According to press reports in early August, Australian Foreign Minister Alexander Downer and East Timor's Jose Ramos Horta worked out an "in principle" deal on that basis. The *Age* newspaper indicated that Downer had offered an extra \$A3 billion in revenue to Dili and also to take responsibility for security and resource protection in the Timor Sea.

The final details were to be worked out at the September meeting. The *Australian* noted on October 1 after the talks broke up that "the parties were reportedly some way apart". The newspaper cited an Australian foreign affairs official as saying: "We are continuing to pursue a creative solution."

There is nothing particularly creative about the methods being used by Canberra to coerce Dili into giving up its rights under international law. By dragging out negotiations, Australia is effectively preventing East Timor from gaining access to much needed revenue. Under the 1989 agreement with Jakarta, Australia has already pocketed all of the tax revenue (about \$US1 billion) from the only operating field—Laminaria-Corallina.

The Howard government pressured East Timor into signing the Timor Sea Treaty and the International Unitisation Agreement (IUA). While the treaty gives Dili 90 percent of the revenues from the Bayu-Undan field, Australia will gain 80 percent of the income from the much larger Greater Sunrise field. The East Timorese parliament has held up final ratification of the IUA in a desperate attempt to obtain some negotiating leverage.

The origins of the dispute date back to 1972 when Canberra signed a treaty with the Suharto regime that drew the borders between the two countries along the Australian continental shelf. The treaty did not, however, include that part of the boundary opposite East Timor, at that time under Portuguese control. Portugal refused to concede anything in what became known as the "Timor Gap" in the international boundary.

In 1975 the Whitlam Labor government tacitly supported Suharto's invasion of East Timor after Portugal withdrew its colonial administration. Successive Australian governments—Labor and Liberal—remained silent on the issue of Indonesia's brutal rule. Australia became the only country in the world to formally recognise the Indonesian takeover. The quid pro quo was the 1989 Timor Gap Treaty that established the international border along the

Australian continental shelf and thus ceded most of the oil and gas reserves to Australia.

Canberra continues to insist that the 1972 and 1989 agreements are valid. If, however, current international law—the 1982 United Nations Convention on the Law of the Sea (UNCLOS)—were applied, the boundaries would be set at the mid-point between the two countries. East Timor would then be entitled to all the revenue from both Laminaria-Corallina and Bayu-Undan fields and most of that from Greater Sunrise.

Following the fall of the Suharto dictatorship in 1998, the status of East Timor was no longer certain. The Howard government dispatched troops to the island after the 1999 UN referendum, not because of any concern for the plight of the Timorese, but to secure Australia's territorial claims in the Timor Sea. While it attempted to placate East Timor by offering an increased share of the projected income, Canberra has opposed having the dispute over the borders heard in the International Court of Justice.

Instead the Howard government has exploited East Timor's desperate need for funds to pressure the island's ruling elite to accept a deal on Canberra's terms. The half island with a population of just 800,000 people is one of the most impoverished countries in the world.

Canberra is now under pressure to come up with a resolution to the dispute. Woodside Petroleum, the largest company involved in developing the Greater Sunrise field, warned earlier this year that it will abandon its project if the two sides do not reach an agreement by the end of the year.

There are also fears in the Australian elite that East Timor may become a source of social and political instability unless it has a secure source of income. The *Sydney Morning Herald* noted in mid-August: "Government sources said the Prime Minister has been concerned about Mr Downer's belligerence and was keen to secure East Timor's economic viability, recognising a failed state on Australia's doorstep was a major security threat."

Moreover, any collapse of the shaky Dili government, which is based on the Fretilin former independence movement and led by President Xanana Gusmao and Prime Minister Mari Alkatiri, could jeopardise the negotiations so far and allow other countries such as Indonesia or Portugal to intrude.

At the same time, however, Canberra is well aware that it holds all the trump cards over East Timor, which remains completely dependent—politically, economically and militarily—on the major powers. Regardless of how the final agreement may be dressed up, it will certainly be on Australia's terms.



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