

# Australia, Timor and oil: the record

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In all the Australian media coverage of the Howard government's latest armed intervention in East Timor, the words "oil" and "gas" are hardly mentioned. Yet control over the vast reserves beneath the Timor Sea—now valued at more than \$30 billion due to rising world oil and natural gas prices—lies at the heart of the dispatch of troops and police.

Together with the wider strategic and commercial calculations of the Australian ruling elite, domination over the Timor Sea—and blocking access to all foreign rivals—has been the overriding concern throughout every cynical twist and turn in Canberra's policy toward East Timor over the past three decades.

Successive Australian governments, both Liberal and Labor, accepted and collaborated with Portugal's colonial rule over the half island until 1974, when Portugal's fascist government collapsed. At about the same time came the first indications of the undersea wealth—oil exploration wells were drilled offshore in the early 1970s, and rights were granted to several companies.

Eyeing this potential and fearing instability in Timor as Portugal's grip crumbled, Canberra, following Washington's lead, encouraged the Suharto junta in Indonesia to invade in 1975 and suppress the population, ultimately at the cost of 200,000 lives over the next quarter century. In return, General Suharto agreed to negotiate an underwater boundary heavily in Australia's favour, handing it nearly all the seabed reserves under the 1989 Timor Gap Treaty.

After Suharto fell in 1998, and Portugal stepped up moves to reassert its old colonial interests, the Howard government sent in troops to support the formation of a nominally independent mini-state in 1999. Ostensibly, the purpose was to protect the Timorese people from Indonesian military and militia violence. The media and all those, including an array of "left" middle class protest groups, who called for the 1999 intervention, claimed it marked a "humanitarian" turn in Australian foreign policy.

It was nothing of the sort. Within months, the Howard government was bullying and blackmailing the embryonic Dili administration to ensure that Australia, not East Timor or Portugal, kept the lion's share of the oil and gas. In February 2000, just before the Australian-led International Force in East Timor (Interfet) formally handed power to troops of the UN Transitional Administration for East Timor (UNTAET), Australian representatives insisted on signing two critical treaties.

The first continued the Timor Gap Treaty, with the UN simply replacing Indonesia as Australia's partner in the joint development zone. The second cleared the way for a US-Australian-Japanese consortium to exploit the large Bayu-Undan field. Expected to yield up to 400 million barrels of liquefied petroleum gas (LPG), now valued at more than \$5 billion, this gas field is 250km south of Suai in East Timor and 500km northwest of Darwin. The agreement foisted on Dili, however, involved building a pipeline to Darwin, where the Houston-based ConocoPhillips has commissioned a \$2.4 billion refining plant.

Both these treaties, initiated by UN officials, were designed to legally bind any incoming "independent" East Timor government. As for Timor's people, in whose name Australia had intervened, they were given no say in the arrangements whatsoever.

In October 2000, the Howard government flatly rejected a UNTAET

call for the realignment of the undersea boundary. If the borders were drawn at an equal distance from both coastlines, in keeping with international law, East Timor would be entitled to nearly all the Timor Sea royalties and taxes.

Howard and his ministers issued thinly veiled threats of retaliation against East Timor if it dared take the dispute to the International Court of Justice. Australian Foreign Minister Alexander Downer directly linked the future of Australia's aid program—90 percent of which was devoted to military purposes—to the size of royalties obtained by Dili. Downer's colleague, Resources Minister Nick Minchin, warned that a border dispute would destroy "investor confidence" in the Timor Gap.

In March 2002, just two months before East Timor was proclaimed "the first newly independent country of the twenty-first century," the Howard government announced it would no longer submit to maritime border rulings by the World Court. East Timor's Prime Minister-elect Mari Alkatiri denounced the move as an "unfriendly" act, "tying the hands" of his incoming government.

In May, a week before Prime Minister Howard flew into Dili for the Independence Day celebrations, Alkatiri was summoned to Canberra, where Australian government officials tried to strong-arm him into signing an agreement ceding most of the vast \$25 billion Greater Sunrise field to Australia.

Australian-based company Woodside Petroleum, which is 34 percent-owned by Royal Dutch/Shell, is the major shareholder in the Greater Sunrise field, in partnership with ConocoPhillips and Japan's Osaka Gas. The area is thought to contain as much gas as the nearby North West Shelf, Australia's largest resource development, which is also operated by Woodside. The North West Shelf has identified reserves of 100 trillion cubic feet, sufficient to make about 2 billion tones of LPG, enough to meet world demand for more than a decade.

Unable to secure full agreement immediately, Downer and other ministers demanded that Alkatiri accept some form of treaty as the new nation's first "independent" act. Alkatiri duly obliged, but signed the May 20 document "without prejudice" to a final seabed determination.

From that point on, the Howard government repeatedly refused to approve various agreements necessary to commence the Bayan Undan and Greater Sunrise projects, thus starving the Timorese government of desperately needed revenue, until Dili agreed to delay or renounce its territorial rights.

The thuggish character of the "negotiations" was revealed in March 2003, when the transcript of a meeting between Downer and Alkatiri in November 2002 was leaked and published on the Internet.

"We can stop everything," Downer repeatedly declared, threatening to pull the plug on the talks. Alkatiri pleaded with Downer, "We want to accommodate all your concerns, but accommodating is one thing and scraping off a plate is another." Downer reiterated that the boundary would not be redrawn, saying "you can demand that forever for all I care, you can continue to demand, but if you want to make money, you should conclude an agreement quickly".

The Howard government deliberately dragged out the border dispute, all the time drawing revenues from the Timor Sea, while East Timor sank

deeper into poverty. During 2003 alone, Australia received \$US172 million in royalties from the fully operational Laminaria-Corallina field—twice as much as the entire budget of the East Timorese government.

With only a trickle of oil revenue and the drying up of international aid, the government in Dili had little to spend on schools, health care, housing or job creation. Five years after East Timor's so-called "liberation" by Australia, half its working people remained jobless, 40 percent of the population were living on 50 US cents or less a day, life expectancy was just 40 years and infant and mortality rates were among the highest in the world.

During another round of border talks in April 2004, East Timor's President Xanana Gusmao joined Alkatiri in a series of public pleas for relief from Australia's merciless approach. Alkatiri insisted that a new agreement that would give East Timor a greater share of the offshore revenues was a matter of "life and death". Speaking to the Portuguese newspaper *Publico*, Gusmao openly accused Australia of theft. In an interview with the *Guardian*, he warned of dire political consequences unless East Timor got a better deal. "We would not like to be another failed state. Without this we will be another Haiti, another Liberia, another Solomon Islands."

Nevertheless, Canberra's browbeating continued until, in April 2005, Dili finally agreed to drop its border claims for 50-60 years. In effect, East Timor was forced to abandon its rights for two generations, by which time the main oil and gas fields will be thoroughly depleted.

So much for "independence" and Australian "liberation". The upshot has been that, in 2004-05, East Timor's oil and gas revenues came to a total of just \$US25 million. This amount is forecast to rise to \$75 million in 2007-08. Apart from the super-profits being made by the oil companies, the bulk of the country's royalties, \$US550 million by April this year, are frozen in US treasury bonds in a Petroleum Fund at the insistence of the IMF and World Bank, supposedly to provide for the country's future.

The current troop deployment follows a number of key decisions by the Fretilin-led government in Dili that sought to lessen, or at least counter-balance, Australian hegemony over the Timor Sea fields. Disturbingly for Canberra, these efforts have involved Portugal. Washington, on whose support the Howard government depends entirely, is also concerned about China's intervention.

\* In December 2004, Alkatiri, who is also the country's Natural Resources Minister, announced that a consortium involving China's largest state-owned oil group, China National Petroleum, and Norway's Global Geo-Services would conduct a full seismic exploration of the Timorese side of the sea boundary. This immediately raised the spectre of China and the European powers, which are generally aligned with Portugal, gaining a degree of control of East Timor's reserves.

\* During 2005, according to some reports, Alkatiri's government entered into talks with China's PetroChina to build refining capacity in Timor, cutting directly across Australian plans for the piping or shipping of all Timor Sea crude, from both sides of the border, to Darwin. Alkatiri also called for undertakings by Australia that it would not block the piping of oil from Greater Sunrise to Timor.

While details have remained sketchy, these reports featured in media, diplomatic and business commentary in the lead-up to the Australian intervention. Writing in the *Australian* on May 9, columnist Philip Adams declared that Alkatiri's "insistence on having gas production facilities in Timor's Suai area rather than Darwin may open the door to China; PetroChina seems to have the deal stitched up. Many in the Western diplomatic and corporate communities think that's too close for comfort."

Loro Horta, the son of Timor's Foreign Minister Jose Ramos-Horta, wrote in the *Asia Times* on May 27: "There was also widespread speculation that Alkatiri planned to award a multibillion-dollar gas-pipeline project to PetroChina, an invitation that would have won both the

United States' and Australia's ire."

\* Last September, Alkatiri kicked off an international tour to attract oil and gas explorers to East Timor's own offshore area of some 30,000 square kilometres, declaring that "Timor-Leste is open for business". In November he reported that these efforts attracted more than 20 petroleum companies, "among them some of the biggest in the world".

\* In January this year, after six years of bitter negotiations, Alkatiri finally extracted a minor concession from the Howard government. Canberra reluctantly agreed to a 90-10 share, in East Timor favour, of the proceeds from part of the Greater Sunrise field—the 20 percent that lies in the so-called Joint Petroleum Development Area, which sits astride the disputed border line. The agreement shares equally (50-50) the royalties from the remaining 80 percent of Greater Sunrise, in what Australia claims as its exclusive jurisdiction.

Earlier the Howard government had insisted on a more aggressive siphoning of revenues to Australia. But, in response, the Timor parliament threatened to scuttle the April 2005 deal in which Alkatiri's government had agreed to abandon its claim for the redrawing of the boundary.

\* In February, the Dili government called tenders for its own Timor Trough fields after the Chinese-Norwegian survey estimated that the area held half a billion barrels of light oil, and some 10 trillion cubic feet of gas (about 10 percent of the total estimated Timor Sea reserves). By the April 19 deadline, five companies had submitted bids, either individually or in consortia. They were Italy's ENI, Portugal's GALP (in which ENI is the majority shareholder), Brazil's Petroleo Brasileiro (Petrobras), Malaysia's Petronas and India's Reliance. Noticeably, none were from the US or Australia.

It was during this period, from early February onward, that the destabilisation of the Alkatiri government began. On February 8, some 350 officers and soldiers abandoned their posts and marched to the presidential palace, claiming discriminatory practices within the military. The "petitioners" went on strike throughout March, and the government in Dili responded by dismissing nearly 600—a third of the East Timorese armed forces. The mass sackings triggered riots that began a descent into chaos, which was soon exploited by an Australian-trained army rebel, Major Alfredo Alves Reinado, who threatened a guerrilla war unless Gusmao sacked Alkatiri.

\* On May 22, with Australian forces already on warships off the coast, Alkatiri announced that ENI, the Italo-Portuguese conglomerate, had won the rights to five of the six exploration areas, with Reliance gaining the remaining field. Alkatiri also confirmed that his government would call for bids for onshore exploration rights later in the year.

One immediate outcome of the eruption of unrest in East Timor and the arrival of Australian troops was that Gusmao cancelled a trip to China. He had planned to visit China, at the invitation of President Hu Jintao, from May 29 to June 3, and Beijing's interest in oil and gas exploration was expected to be on the agenda.

By sending troops and police the Howard government has moved to secure its interests in the Timor Sea, as well as the wider Indonesian archipelago. Despite the lip service being paid to respecting Timor's "sovereignty," the latest intervention continues, and escalates, a long history of Australian imperialist intrigues against Timor's long-suffering people.

The underlying agenda was spelt out in a leaked Australian Defence Force (ADF) minute published last week in the *Bulletin* news magazine. The classified minute to the Chief of the Defence Force, dated May 10, 2001, stated in no uncertain terms that the primary goal of Australia's ongoing military presence was to ensure that the fledgling Timorese government and its army was sufficiently amenable to Australian interests.

"The first objective," it said "is to pursue Australia's broad strategic interests in East Timor, namely denial, access and influence. The strategic

interest of denial seeks to ensure that no foreign power gains an unacceptable level of access to East Timor, and is coupled with the complementary objective of seeking access to East Timor for Australia, in particular the ADF. Australia's strategic interests can also be protected and pursued more effectively if Australia maintains some degree of influence over East Timor's decision-making."

Predictably, the media blacked out any further reportage of this damning document and its implications. The confidential minute, written by the ADF's Strategic International Policy Division, related specifically to the ADF's "Defence Co-operation" program in shaping the development of the East Timor Defence Force. Nevertheless, it set out in a nutshell the entire orientation of Australian policy, laid down by the Howard government itself.



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