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Gas profits and China fears drive Australia-Timor boundary treaty

Acrimonious disputes are continuing between the governments of Australia and the tiny neighbouring state of East Timor despite last week's signing at the UN in New York of what the media misleadingly called an "historic" maritime boundary treaty covering the oil- and gas-rich Timor Sea.

Continuing its decades of betraying and bullying the impoverished territory's people, the Australian government is still insisting that the billions of dollars' worth of gas beneath the sea be pipelined to Australia's northern city of Darwin, rather than to East Timor.

Finalised after year-long negotiations at the Permanent Court of Arbitration in The Hague, the treaty essentially concedes that the undersea boundary should be set at halfway point between the two countries, in line with international law, thus placing most of the vast untapped gas reserves within East Timor's territory.

Nevertheless, the Australian government and the transnational energy giants that control the gas fields remain adamant that the mini-state on the eastern half of Timor cannot have the gas processing operations, and all the associated profits.

After more than 15 years of illegally denying Timorese sovereignty in the disputed zone, two inter-related factors—geo-strategic calculations and corporate profits—drove the Australian government to sign the treaty.

First and foremost were concerns in both Canberra and Washington that Australia's refusal to abide by the UN Convention on the Law of the Sea (UNCLOS) in settling the

Timor border was opening the door for China to acquire greater influence in East Timor and the Asia-Pacific region.

As the Chinese economy has grown rapidly over the past two decades, Chinese agencies and companies have been increasingly active in East Timor, as throughout the region, funding infrastructure and establishing business operations.

In recent years, China has constructed office buildings for Timor's foreign and defence ministries and Defence Force, as well as the presidential palace. More than a thousand East Timorese civil servants have gone to China for training, Chinese naval vessels have twice visited Timor and the country has acquired several Chinese patrol boats.

More significantly, Beijing has politically exploited Australia's defiance of UNCLOS to undercut the denunciations from Washington and Canberra of China's refusal to recognise a US-orchestrated international tribunal ruling in 2016 rejecting China's territorial claims in the South China Sea.

Following that ruling, China's state-run *Global Times* directly attacked Australia's hypocrisy in an opinion piece, accusing it of "exempting itself from the very conventions it cites in denouncing other nations' supposed violations of 'international law'."

Notably, the US State Department immediately hailed this week's treaty signing, pointing to pressure from Washington for Australia to end the boundary dispute. Welcoming the adherence to UNCLOS, the department called the Timor treaty "a testament to the efficacy and importance of resolving disputes peacefully and in accordance with international law." Echoing that language, in signing the pact at the UN, Australian Foreign Minister Julie Bishop said: "This treaty represents the importance of rules and the benefits of all states abiding by the rules... It is an example to all of how international rules-based order serves our interests."

As Bishop acknowledged, this "rules-based" order serves definite imperialist interests. In reality, the Timorese government was under enormous political and economic pressure to conclude the treaty, after years of predatory manoeuvres by the Australian ruling class and the corporate gas giants.

Currently, the Timorese state depends for 90 percent of its revenue on the Bayu-Undan gas field, which will be exhausted within four years. As an *Australian Financial Review* article observed: "Timor-Leste risks going over a financial cliff when the money runs out from the Bayu-Undan field in 2022 and its petroleum fund five years after that."

The boundary dispute had blocked any commencement on the much larger Greater Sunrise oil and gas field, with an estimated value of \$50 billion. The Timorese ruling elite, facing

widespread discontent over the population's poor living and social conditions, desperately needs construction on this project to start immediately.

Even now, the consortium that holds the rights over Greater Sunrise—featuring Australian-based operator Woodside Petroleum and its major partners Shell and ConocoPhillips—is refusing to proceed with the project until East Timor's demand for onshore processing is overruled. Consortium members issued statements expressing “disappointment” that the treaty failed to adopt its favoured option of a floating LNG plant.

Under the treaty, Timor will get 80 percent of the royalties from Greater Sunrise if the gas is piped to Darwin, but only 70 percent if the processing occurs in Timor. A leaked letter from Timorese leader Xanana Gusmão, who led the country's negotiations, has accused Australia of colluding with the oil corporations to prevent a Timorese pipeline.

According to the *Australian Financial Review*, backroom discussions are taking place on either having teams for offshore platforms fly out from Timor rather than Australia, or allowing Timorese workers to be brought to Darwin to work in a processing facility, under a cheap labour scheme similar to Australia's Pacific Islander seasonal workers program.

The treaty also blocks Timor from seeking compensation for the estimated \$5 billion worth of taxes and royalties wrongly obtained by Australia since the Timor Sea gas fields began to be exploited in 1999.

These developments again underscore the fraud of all the claims that Australia intervened militarily in Timor in 1998 to protect its people from Indonesian repression and guarantee “independence.”

Ever since the Whitlam Labor government recognised the Indonesian annexation of the former Portuguese colonial outpost in 1975, the Australian ruling class has been preoccupied only with securing the lion's share of the undersea resources and keeping a grip over the half island, strategically located at the eastern end of the Indonesian archipelago.

The now-officially abandoned “Timor Gap” boundary, so favourable to Australian capitalism, was originally drawn between the Hawke Labor government and General Suharto's Indonesian military junta in 1989, in return for Australia's continued support for Indonesian rule over East Timor.

Once Suharto's regime collapsed and his successor, B. J. Habibie, agreed to a plebiscite on Timorese separation, Australia intervened to ensure that any resulting statelet was subordinated to its corporate and strategic interests. What followed was relentless brow-beating, intimidation and dirty tricks by successive Australian governments, both Labor and Liberal-National, to maintain that domination.

In 2004, these machinations included the [illegal bugging](#) of Timor's cabinet room during previous bitter talks over the Timor Sea resources. That electronic eaves-dropping was

exposed in 2013 by a whistle-blower from the Australian Secret Intelligence Service, known only as Witness K, who was involved in the operation. Foreign Minister Bishop refused to issue Witness K a passport, blocking him from testifying in The Hague against Australia.

Following the signing of the treaty, many issues remain unresolved, including the exact eastern and western boundaries of the new demarcation line between Australia and Timor. The renegotiation of the Timorese border could also trigger an Indonesian attempt to force an adjustment of its adjacent unfavourable border with Australia.

Despite the potential further loss of territory, however, Australia's ruling establishment has felt compelled to cut a deal with the Timorese leadership, which has provided the essential strategic and military backing for Australian imperialism's plundering activities throughout the region since World War II.

Australia is under enormous pressure from the US to line up fully with Washington against Beijing on key flashpoints such as the South China Sea. The Trump administration's [National Defense Strategy](#) in January named China as a "strategic competitor" seeking "Indo-Pacific regional hegemony in the near-term and displacement of the United States to achieve global pre-eminence in the future." The US military build-up throughout the region is to ensure continued American dominance through war with China if necessary