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# Nation-Building and the Politics of Oil in East Timor

Former capital of Portuguese Timor and of Indonesia's twenty-seventh province, post-independence Dili is a town riven by segregation. The scaling down of the international presence across East Timor has done little to mask many of the most obvious social divisions concentrated in the capital. Rolls of barbed wire, mountain-walls of sand bags, and armed soldiers keep the international military presence well defended. The numerous vehicles belonging to UNMISSET, (the United Nations Mission for Assistance in East Timor) are marked by large UN logos and distinct number plates. UN staff wear identification cards which, amongst other benefits, provide exclusive access to imported and subsidized luxury goods. The United Nations even has its own clearly marked rubbish bins when basic sanitation is absent across the street. Everywhere, the international presence in East Timor marks a division rather than integration.

The international presence, of which the United Nations is just one part, has helped to create a two-tiered economy in which social differences have become entrenched in everyday life. What should be absurd has quickly taken on a sense of normality. Male-only door charges at clubs have the effect of keeping Timorese men out, but the rules are waived to allow Timorese women in. Cafés are

roped off from footpaths to restrain locals, just in case the congregations of military and foreign bureaucrats fail to act as a cultural barrier. The only locals allowed through for the privilege of ordering a drink that costs more than most people's daily wage are the local capitalist and governing elites. Otherwise, the Timorese have become a blurred 'other', regularly referred to in conversation as 'they' and 'them'. 'They' are slow, lazy and backward. 'They' are the labourers, room cleaners, fruit vendors, porters, waiters and the CD, newspaper and phone-card sellers. They are the background 'noise' to those who are shaping this so often labelled 'newest of nations'.

In this environment, the politics of oil takes on a special significance. The Timor Sea dispute is driven by conflicting claims around where a maritime boundary should be placed between Australia and East Timor. A proper distribution of resources from the Timor Sea could end East Timor's dependence on and exploitation by a range of international organizations that have built walls around themselves in the name of nation-building. But, like the social barriers in Dili, the terms of the division of the Timor Sea have been largely set by and for the benefit of international actors.

In 1953 Australia declared its maritime boundary along what it claimed to be its continental shelf line. Given Australia's isolation, this did not suggest many potential rival claims, only the newly independent Indonesia, Portuguese Timor and Australia's colonial war trophy, Papua New Guinea. During 1971 and 1972 Australia finalized a maritime treaty with Indonesia. There being no such treaty with Portuguese Timor, a 'gap' remained in the border between the European colony and Australia. Attempts at negotiating a closure of this gap ended when Portugal withdrew from East Timor in 1975.

Ongoing uncertainty over the Timor Gap might not have concerned the Australian government had it not been aware of the spoils that lay beneath the seabed. In October 1976, Australia's Prime Minister, Malcolm Fraser, flew to Jakarta. He gave the first public recognition by an Australian government to Indonesia's occupation: a 'merger' of East Timor into Indonesia was recognized 'for humanitarian reasons'. As George Aditjondro has written, Fraser was accompanied by the head of BHP, a representative of an oil industry that had applied significant pressure on the Whitlam government to support the annexation of East Timor. BHP had a

particular interest in the Timor Gap as it had attained a controlling share in the oil exploration firm Woodside-Burmah, which had been drilling for oil both on- and off-shore in East Timor prior to August 1975.

After marathon negotiations between the Australian and Indonesian governments, the Timor Gap Treaty was completed in 1989. Images of Foreign Ministers Gareth Evans and Ali Alatas flying above the Timor Sea, toasting their success at the signing of the treaty and the dividing of the spoils, were beamed across the archipelago and Australia.

History has of course not favoured those who sought the integration of East Timor into Indonesia. Following the vote for independence in August 1999, UNTAET (the UN Transitional Administration in East Timor) entered into oil-related agreements with Australia over 2000 and 2001. These agreements were based on the previous Timor Sea treaties, renaming the large 'Area A' of the Zone of Cooperation in the treaty with Indonesia as the Joint Petroleum Development Area (JDPDA). Under the new terms, East Timor was to receive ninety per cent of government revenues and Australia the remaining ten.

As generous as this might seem at first glance, it is the resource corporations that receive the bulk of the profits in the JDPDA, as elsewhere in the Timor Sea. Furthermore, while such an agreement appears to be a very gracious split of government revenue in East Timor's favour, and has been sold as such by the Australian government, the JDPDA represents only one portion of the oil and gas reserves that are being contested in the Timor Sea. Falling beyond the JDPDA are extensive gas and oil fields that Australia and East Timor both claim. In short, the East Timorese argue that a seabed boundary should be based on a median line between the two countries, which would give East Timor exclusive access to the JDPDA, and to a majority of the oil and gas fields.

The Australian government, on the other hand, argues that the maritime boundary should be based on where it claims the Australian continental shelf finishes. The Australian government maintains that in international law a median line is not required when two countries do not have a continental shelf in common. But the opportunity to test this argument in an international tribunal, including where exactly the continental shelf does finish, has been made impossible. On 21 March 2002, just two months prior to East Timor's independence, the Australian government

very conveniently withdrew from the processes within the International Court of Justice and the International Tribunal on the Law of the Sea that could have provided international adjudication of the dispute.

The difference between the two claims is substantial in terms of which government may reap the greatest benefits from oil and gas revenues. While the JSPA agreement gives East Timor the bulk of the revenue, as arrangements stand it is predicted that Australia will receive seventy-two per cent of the total petroleum revenues from the Timor Sea. In contrast, if the line were based on the median point, East Timor would gain some sixty-eight per cent of the total petroleum revenues. In estimates from the East Timor government's Timor Sea Office, a median line would mean that total revenue for East Timor would increase from an estimated \$4 billion to \$12 billion.

It is greatly aggravating to the East Timorese that Australia continues to stall negotiations, while receiving an estimated one million dollars a day in revenue from disputed oil fields. By some estimates, Australia has already benefited more from the Laminaria-Corallina oil fields than the Australian government has given East Timor in total aid since 1999. Yet these fields, operated by Australian company Woodside, lie closer to East Timor than Australia.

There are several possible explanations for Australia's current Timor Sea policy. Three are suggested here. First, and most obviously, there is the revenue that Australia receives. This revenue derives not only from taxation, but will also flow from the substantial investments in on-shore processing that will occur. Australians and East Timorese who oppose Australian policy are seeking to highlight this apparent greed. Secondly, conceivably there is a desire to keep East Timor aid-dependent for the foreseeable future. No matter the public statements to the contrary, the *realpolitik* that has shaped Australian and American policy on East Timor for so long has not dissipated. On the one hand, East Timor may prove to be a point of leverage for both the United States and Australia against Indonesia. On the other hand, East Timorese politics may run in directions not considered ideal by Australian and US foreign policy. In light of this, US plans to establish a military base in East Timor may be more advanced than many realize.

There is a third possible reason for the Australian government's obstinacy, though it has less credibility than the two above: the Indonesian response to a substantial renegotiation of maritime boundaries between Australia and East Timor. If Australia were to negotiate a median line with East Timor, the adjoining maritime boundary between Australia and Indonesia could seem less favourable to the archipelago nation than it presently is as it would be based on the continental shelf. Might Indonesia too want to renegotiate its sea-bed treaty with Australia?

This argument is getting a better run in drunken conversations in the neo-colonial bars of Dili than it is at the level of state politics, and deservedly so. Australia's maritime border with Indonesia is a permanent border. As such it would be a very difficult treaty to contest, especially as it has been in place for three decades and there is little precedent for such a move. While a renegotiation might potentially be the source of populist politics in Indonesia, rather than a serious political or legal challenge, it would be absurd for Australia to take such an argument seriously. If it did, it would prove yet again how easily Australia's policies on East Timor have been framed by a priority given to Indonesian politics. Given that such a renegotiation would be highly unlikely, because of the economic and security losses to Australia and the challenges it would pose to the equally dubious politics of border protection, Australia would be far better off to ignore such red-herrings and get on with the task of negotiating a proper border.

There are other important factors in this dispute that lead away from regional *realpolitik* to the cultural politics of a new nation. The occasional coverage of the dispute in Australian newspapers gives little sense of how important it is considered in East Timor. When leaving for East Timor, it is not uncommon to be asked the naively postcolonial question: 'It's all OK over there now isn't it?' Of course it is not. East Timor remains a remarkably poor nation in material terms, with the most basic necessities such as electricity and running water only available to those in some urban centres, and even then normally only to those on a good income. East Timor is regarded as the poorest nation in Asia. A recent Oxfam report gives a sense of how dire the situation is. More than forty per cent of the population live on less than fifty-five cents a day, East Timor has one of the highest infant mortality rates in the world, and average life-expectancy is just fifty-seven years. Moreover, there are innumerable deaths from preventable diseases, there is

inadequate sanitation and shelter, public education is in a woeful state and literacy rates are very low. While these problems are compounded by the trauma of the extraordinary levels of violence the population has suffered, the most basic needs continue to go unmet. In such a climate, one can easily understand the desire for revenue from the natural resources of the Timor Sea.

The dispute has also taken on an importance as a kind of neo-colonial incursion that is felt to be undermining East Timorese sovereignty. The words 'occupation' and 'theft' are frequently used to describe what is genuinely seen as an intrusion on East Timor's sovereignty by a foreign power. These sentiments are expressed in classic left-nationalist terms by a broad array of groups in civil society, many of which have their roots in the former student resistance movement that opposed the Indonesian occupation. On 19 May 2004, a day before East Timor's second celebration of the 'Restoration of Independence', a demonstration was held outside the Australian embassy in Dili calling for a fairer oil treaty. The national anthem and songs associated with the national liberation struggle were sung and the crowd cried 'Viva Povo Maubere, Viva Timor Leste' countless times. Banners read 'Don't steal our future' and 'Don't pretend you don't want to steal my oil', or the more direct 'Fuck your political negotiation'.

Overwhelmingly, the primary political demand of the protest was respect of East Timor's sovereignty. Joaquim Fonseca, a former student leader, argued that national interest, not humanitarian intent, had guided Australia right up to the point of intervention in 2001. The international community, he said, knew the Indonesians 'would burn this country to the ground' and did nothing to stop it 'because they wanted a condition to be created in a way where they could come as angels, to come as gods, to come and save East Timor'.

Fonseca's arguments will no doubt be offensive to many who regard Australia's intervention in 1999 as a highpoint in morality politics. Increasingly, though, Australian intentions are being brought into question. It is now believed by some that the belated Australian-led military operations of September 1999, occurring only after what were highly anticipated militia actions, ensured that the newly independent East Timor would not be in a position to counter future Australian interests. This cynicism sits well with what is seen as the Australian government's present reluctance to negotiate a fairer solution to the Timor oil dispute.

Such sentiments over oil negotiations also link to an undercurrent of concern about the general pattern of nation formation in East Timor. Lacking industry and large-scale international investment, oil stands as a very tangible sign of how national independence is being lost to various neo-colonial processes. Oil has thus become a focus for a more general frustration. East Timor may have achieved formal independence, but there is the sense that since 1999 it has been robbed of its victory and its capacity for self-determination.

In 1962 President Sukarno spoke about Indonesia as a nation 'born in fire', referring to the anti-colonial struggle of the 1940s against the Dutch. East Timor too could make such a claim in view of the destruction wrought by the Indonesian armed forces and the militias. Yet there was barely an opportunity for the East Timorese to acknowledge their victory. Not only was the destruction in 1999 overwhelming, but also, from its inception as a nation, East Timor has been forged largely in the absence of those who fought for its existence. INTERFET, the Australian-led International Force for East Timor, arrived in Dili before the return of the East Timorese Commander Xanana Gusmão, and the international technocrats started to build East Timor from the ground up almost immediately. East Timor would not be allowed its formal independence until May 2002 and by then the celebrations had become a VIP event to be enjoyed by distinguished international guests.

There is a feeling that new nations like East Timor, and reconstituted ones like Afghanistan and Iraq, are being designed and constructed by international institutions and donor countries according to their agendas. Rather than neo-colonialism being undertaken by large-scale capital enterprise, it is occurring at the hands of a range of international organizations, agencies and donor nations, and enacted surreptitiously through aid and development programs. Assuming the new nation a blank slate, aid and development agencies can attain extraordinary power in shaping the political and economic structures from the first moments of nationhood.

East Timor's substantial dependence on aid has meant that donors have significant influence over the national budget, World Bank officials have high-level access to government ministries, and the inception of the state has largely followed a neo-liberal path. Moreover, overseas agencies use aid, development, civic education,

capacity building and socialization programs in an effort to integrate East Timor into a global market economy. Yet for so many East Timorese, poverty and a lack of food security are constants. Oil in such a context becomes a sign of a more general subordination of independence to the colonialist dictates of international organizations and donors.

If a sense of inferiority does exist as a carry over from Portuguese colonialism, then the neo-colonial demands coded in 'capacity building' and 'community empowerment' programs would seem to perpetuate such sensibilities. Carrying the silent message of 'incapacity' and 'disempowerment', too often such programs seem to reinforce inadequacy rather than play an emancipatory role. Social relations in Dili at present are structured in a way that overwhelmingly separates the international presence from local Timorese, potentially consolidating and normalizing processes of subordination, frustration and a sense of inferiority.

Back on the streets of Dili, the power relations of post-independence East Timor are played out in everyday actions and understandings. A soldier in the UN Peace Keeping Force wins the trust of a local boy who is selling lighters. The soldier lights his cigarette as if to test it, only to return it to the forlorn hands of the seller. The sense of empty promises seems to ring true more generally for East Timor. The independence fought for is being hollowed out by a range of international powers who have laid claim to the nation's deliverance. East Timor is being forged not by those who fought for it but by a range of international organizations and their careerist advisers. As the case of oil highlights, the destiny of this nation seems often to lie outside of the control of its own citizenry who paid such an extraordinary cost for its formation.