

# Honesty always a better policy than spin to win

BY:PAUL CLEARY, [The Australian](#) October 08, 2012

<http://www.theaustralian.com.au/news/world/honesty-always-a-better-policy-than-spin-to-win/story-e6frg6so-1226490158126>

**FOR most of its history, East Timor has been justified in blaming foreign powers for its woes. But now, with oil revenue flooding into the independent country, the government, led by resistance leader Xanana Gusmao, surely has no one to blame for the country's problems.**

Sadly, East Timor has found another target to distract attention from the task of nation-building. This time, it's those big, bad multinational oil companies, and it has been encouraged in this populist pursuit by Australia's national broadcaster, the ABC.

In July, 7.30 screened a report on the country's vociferous complaints about the tax compliance of oil giant ConocoPhillips. Last week, the ABC's flagship investigative program Four Corners ran a documentary on this issue and on Woodside's refusal to build a liquefied natural gas plant on Timor's soil.

The Four Corner's report seemed like a propaganda piece for the government, its glaring omissions and inaccuracies highlighting the pitfalls of fly in, fly out journalism.

Consider these two crucial facts omitted from the report. First, East Timor, with a population of 1.1 million, earned \$US3.3 billion in oil revenue last year, almost all of which came from one field, Bayu-Undan, operated by Conoco. Second, in seven years, the country has saved \$US10.5bn in its petroleum fund.

For a deeply impoverished nation that desperately needs foreign capital, exposing the confidential tax affairs of your biggest foreign investor on national television is a manifestly counter-productive strategy, especially when the dispute may involve modest amounts of money. A sensible country that was really concerned about improving its lot would use the proper processes that it has in place to resolve these differences.

But not East Timor's leaders, who became masters of the spin cycle during their independence struggle, and not, it seems, Four Corners, which lapped up and distorted this left-wing conspiracy while failing to critically examine the government's own performance in improving the lot of its people.

One of the key facts in the tax dispute involves an adjustment "for a single year" of \$US6.5 million. That's right, an amount worth 0.02 per cent of annual oil revenue. The government has now issued a notice worth \$US79m, which the company is appealing in court.

But there's more, of course. The government's audit has identified \$362m disputed taxes but this relates to eight years of revenue and highly complex transactions.

And there's even more, with the government claiming the total tax haul could be in the order of \$US3bn.

While omitting the oil revenue and savings numbers, the report exaggerated the significance of these figures by portraying East Timor as having been severely constrained by a savings policy foisted on it by another big, bad institution, the World Bank. "The back taxes would have helped," the report said.

The report wrongly claimed that this policy restricted the country to spending the "income from the fund" only, and not any of the revenue as it comes in. This is not the case, and in any event the more liberal savings policy was devised by the country's leaders at the time of independence.

The program showed Timorese school children speaking English - "the language of commerce and trade" - while failing to mention that such classes are limited and that the official language taught in all schools, Portuguese, has no such attributes.

As a sign of the country's development strides, the report showed a new oil-fired power station just outside the capital, Dili, which is based on second-hand Chinese generators sold to the government at inflated prices, and has resulted in cost blowouts far greater than the tax dispute with Conoco. The report omitted these crucial facts.

But it found room to include glowing comments by a government adviser about the country's record on corruption, without testing these claims. It interviewed the country's anti-corruption commissioner, Aderito de Jesus Soares, without asking him about the level of corruption in the country.

East Timor's attacks on the multinationals have some parallels with the protracted dispute with Australia over the Timor Sea oil resources early last decade. While the country was justified in challenging the Howard government's poor form in these negotiations, this dispute proved to be a huge distraction from the task of nation-building, which created the conditions for civil unrest in 2006 and another round of intervention by the Australian military.

The really important point that the ABC is missing is this: East Timor remains a fragile nation with an uncertain future. The foreign media shouldn't indulge its leaders in populist attacks on imaginary villains.

The executive producer of Four Corners, Sue Spencer, says she stands by the story entirely. However, Four Corners should put its significant resources into examining the government's own results in lifting its people out of entrenched poverty.

This might ensure that the leaders focus on the real threat to their country's future.

---

*Paul Cleary was an adviser to the East Timor government in 2003-05 during the creation of the country's petroleum fund and is the author of *Shakedown: Australia's grab for Timor Oil*.*