

# The La'o Hamutuk Bulletin

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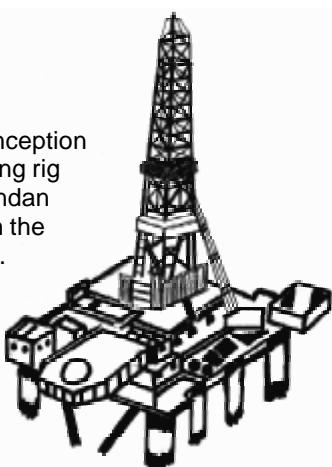
With our first post-independence Bulletin, *La'o Hamutuk* continues our investigation into the oil and gas resources which are so important to the future of East Timor. Our cover article discusses some aspects of the global oil industry, pointing out problems which have occurred elsewhere that East Timor can work to avoid repeating. We're including information about Australia's oil resources and the major oil companies active in the Timor Sea. We also report on the May Donors' Conference in Dili. The back page contains thoughts from several East Timorese activists about how international supporters can help their newly-independent country.

## With Money, Oil Also Brings Problems

All over the world, governments with oil and gas deposits under the land and sea have contracted with international petroleum companies to find, extract, process and export these petroleum resources. In many of these countries, the people hope that money from the oil and gas will improve their lives, enabling their government to provide better health care, education, employment and other vital services. As in East Timor, people expect oil revenues to facilitate the development of their infrastructure and to improve the quality of their lives.

But oil development does not come without a price. Around the world, the activities of petroleum companies have negative impacts on democracy, the local and global environment, peace, and economic equality. As East Timor travels the road to becoming one of the most oil-dependent countries in the world, we must be careful to minimize these impacts. We must learn from the experiences of other countries, and closely monitor and guide the oil industry here to ensure that we do not repeat bad experiences.

Artist's conception of the drilling rig at Bayu-Undan gas field in the Timor Sea.



At the end of May, *La'o Hamutuk* hosted two environmental activists who work with the Oilwatch Network. Oilwatch (<http://www.Oilwatch.org.ec>) was formed in Ecuador in 1996 by people from tropical forest, oil-producing countries in Latin America, Africa, and Asia. It includes NGOs from nearly every such country affected by oil and gas development who work to monitor and resist the negative effects of the petroleum industry. Esperanza Martinez from Ecuador and Hemantha Withenage from Sri Lanka shared experiences of people around the world with international petroleum companies. They also described what Oilwatch and its partner groups are doing to monitor and resist the problems which come with oil development. Most of the information in this article comes from their presentation.

As Esperanza said, "The tropics are the richest part of the world. We have water, biodiversity and culture, as well as oil and gas. But we are the poorest economically – just like Timor Lorosa'e. The World Bank says our problem is extreme poverty – but we say the problem is the wealthy countries."

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## The Process of Petroleum Exploitation

Crude oil, gas, and “formation water” (very salty water) lie mixed together in the ground or under the sea. The process of finding and extracting petroleum products is the same on land as under water, but under the sea it is more difficult to observe or monitor what’s being extracted or discarded. These are the steps:

1. Seismic exploration to find where the oil and gas is under the ground. The companies explode dynamite to measure waves in the earth. The explosions disturb animals and plants which live in and under the sea.
2. Exploratory drilling of test wells to determine the amount of oil present. In the sea, this can be done from platforms or ships. It creates waste sand and stones.
3. If enough oil and gas is found, the companies build extraction wells to remove it.
4. The extracted materials are separated into oil, gas and formation water. The companies use only what they want – if it’s oil, they burn off the gas; if it’s gas, they discard the oil. Sometimes (as at Bayu-Undan over the next few years), the oil and other useful liquids (“condensate”) are extracted and the gas is pumped back into the ground for later re-extraction and use.
5. The oil and gas must be transported (by pipelines, tankers or trucks) to where it is refined and used for fuel or chemicals. If gas is to be moved by ship (as from the Timor Sea to customers in Japan), it must first be liquified, which is usually done on land, although Shell is proposing to build the world’s first floating liquefaction plant in the Timor Sea.
6. The great majority of the world’s oil and gas is consumed in the United States, Europe, and Japan. It’s used mostly for cars, to generate electricity, and for other industrial processes.

### The negative effects of oil development

Oil is found in nearly all tropical areas: in the Middle East, Latin America, Africa and Asia. Among the forest countries where oil has had the greatest impact are Ecuador, Venezuela, Colombia, Brazil and Mexico in Latin America; Nigeria, Gabon, and Cameroon in Africa; Thailand, Indonesia, Malaysia and Burma in Asia.

In most of these places, greed for the oil money has caused foreign invasion, civil war, dictatorship and/or repression. Oil causes and sustains major conflicts, especially where the United States military is involved, such as in Colombia, Iraq and Afghanistan. During the last ten years, there have been civil wars in many oil-dependent areas, including Algeria, Angola, Congo, Indonesia (Aceh), Iraq, Nigeria, Sudan, and Yemen. In 1997, the governments of these countries, which depend on oil for a large fraction of their national income, spent an average of 12.5% of their budgets on the military. For every 5 percent rise in oil dependence, they spent an additional 1.6% on the military. In one example, Peru offered the foreign oil companies more favorable conditions than neighboring Ecuador. In the late 1990s the companies provoked a war between the two countries, and Peru now controls oil-bearing Amazon territory that was formerly part of Ecuador.

Oil development causes major environmental destruction, both local and global. Two hectares of forest is cut down for each well build on land. Exploration and exploitation produce seismic shock, pollution and waste. For every barrel extracted, at least one barrel is spilled. The oil industry has negative consequences for forest and marine animals, and also for human beings, including cancer, leukemia and miscarriages. In countries which produce more oil, child mortality is higher and life expect-

ancy at birth is lower than in other countries. The tropics are more ecologically fragile than the countries where oil is consumed, so we need to take extra measures to protect our forests and seas.

Globally, burning fossil fuels (coal, oil and gas) adds carbon dioxide ( $\text{CO}_2$ ) to the atmosphere, causing worldwide climate change which leads to extreme weather (storms, floods, droughts, etc.), rising sea levels, and other disasters. Most scientists and many governments have now recognized this problem, and are gradually shifting from fossil fuels to renewable energy sources. Nearly every government has signed the Climate Change Convention (“Kyoto Protocol”) to protect the global environment. This agreement includes economic incentives for oil consumers and producers to reduce their use of fossil fuels, and provides special compensation for islands like East Timor which will be most affected by rising sea levels. Unfortunately, a few of the main energy-consuming countries, including the United States and Australia, continue to oppose these agreements.



### Petroleum Development and Poverty

In nations which depend on oil, poverty is often widespread. Countries which get most of their income from oil and gas often rank lowest on the “Human Development Index” (HDI) which includes income, health and education measures. The most oil-dependent nations are Angola, Yemen, the Congo and Nigeria, with at least 40% of their national budgets coming from oil. Their HDIs are all in the lowest quarter of the world’s nations.

Having oil does not mean the people of a country become rich. On the contrary, oil and mineral dependence has often damaged public welfare and reduced the rate of economic growth. Oil brings debt as money is borrowed

to pay for oil development, and then oil must be exploited to pay off the debt, creating a vicious circle. Furthermore, the oil companies have the power to blackmail governments, demanding tax exemptions, other financial subsidies, and/or military support. In Ecuador, one U.S. company forced the government to pay them \$72 for every barrel of oil, although the government could only sell it for \$15 per barrel.

Oil and gas dependent countries are characterized by high child mortality, malnutrition and disease, poor education and illiteracy, corruption, authoritarianism, vulnerability to economic shocks, and high military spending. East Timor already has some of these problems as a result of colonialism, occupation and war – but oil money alone will not solve them. In fact, the experience of other countries show that it often makes them worse.

Because of highly-paid foreign workers, oil disrupts indigenous cultures and can bring inflation, prostitution, HIV/AIDS and other problems. East Timor has had a similar experience with UNTAET international staff and contractors. If many foreign oil workers come here, they will probably stay longer and be less considerate of the local population.

### The Power of the Oil Companies

Petroleum corporations are often much more powerful than governments, especially when large companies like Phillips or Shell come into small countries like East Timor (See graph, page 5). The companies often determine the choice of the Ministers of Energy, dictate the governments' environmental policies, and use the military to protect their investments. It is impossible for a small government, even a democracy, to get a fair deal from huge multinational oil companies.

The companies in the Timor Sea prefer to deal with Australia, with whom they have worked for a long time, rather than East Timor. To the companies, East Timor looks revolutionary or unstable. When East Timor negotiates with Australia, the companies will usually support Canberra and use their power to push for a quick, unfair settlement. East Timor must use public support here, in Australia and worldwide to try to balance the negotiations – and perhaps even ask for oil development to be suspended until the boundaries are resolved. Since the boundary question

could be settled quickly if the Australia government negotiated fairly and legally, slowing the development could encourage the companies to pressure Australia to seriously discuss the issue.

Once oil exploitation starts, it's more difficult to control. It is better to act now, and to insist on transparency, democracy and environmental responsibility. But even after exploitation is underway, monitoring and advocacy can help reduce its negative effects.

### What Can be Done

Although the companies claim they are environmentally and socially responsible, they often lie. They say serious problems are in the past, and that the company has improved – but in reality the problems persist and are repeated. We can learn much from the experiences of other countries – both about the routine (normal) activities of the companies, and about the consequences of accidents or other extreme situations.

One way we can help understand and respond to the companies' procedures is by monitoring their activities. Monitoring is a tool which can help achieve goals like empowering the people, ensuring the wealth is shared, preserving democracy, and protecting the environment. In a future *La'o Hamutuk Bulletin*, we will discuss how East Timor's Constitution and national laws, as well as international law, documents, reports from the companies and other agencies, observation and testing, can be used to monitor what they are doing.

Around the world, local indigenous, environmental and grassroots communities and activists are dealing with these same issues, and often the same companies. They have developed the Oilwatch Network to learn from each other's experiences and strengthen each other's campaigns. By using monitoring, advocacy, the courts, and public exposure of information, Oilwatch members have averted environmental disasters and forced oil companies to be more responsible to the people of the countries they work in.

As East Timor enters the community of oil-producing nations, we can benefit from their expertise and experience. Just as the oil companies work globally to maximize their profits, people can cooperate globally to minimize the negative effects of oil company operations. ♦

# Oil and Gas Fields in the Timor Sea

On 20 May, Australia and East Timor signed a treaty to share the Timor Sea oil and gas. It is not yet in effect, awaiting ratification by both parliaments. This treaty gives Australia revenues which would probably go to East Timor under the Law of the Sea (UNCLOS), which became international law in 1982. (See *LH Bulletin* Vol. 3 No. 4.)

The map below shows the main oil and gas fields in the Timor Sea belonging to East Timor, Australia and Indonesia.

**Maritime economic zones are shown in dashed boxes:**

[JPDA] the **Joint Petroleum Development Area** is derived from the illegal 1989 Timor Gap Treaty between Indonesia and Australia. Under the Timor Sea Treaty (TST), the JPDA is shared 90% East Timor and 10% Australia. Under current international law principles, it would be 100% East Timor.

[EEZ] the **Exclusive Economic Zone** would be East Timor's under current law. The TST gives it to Australia.

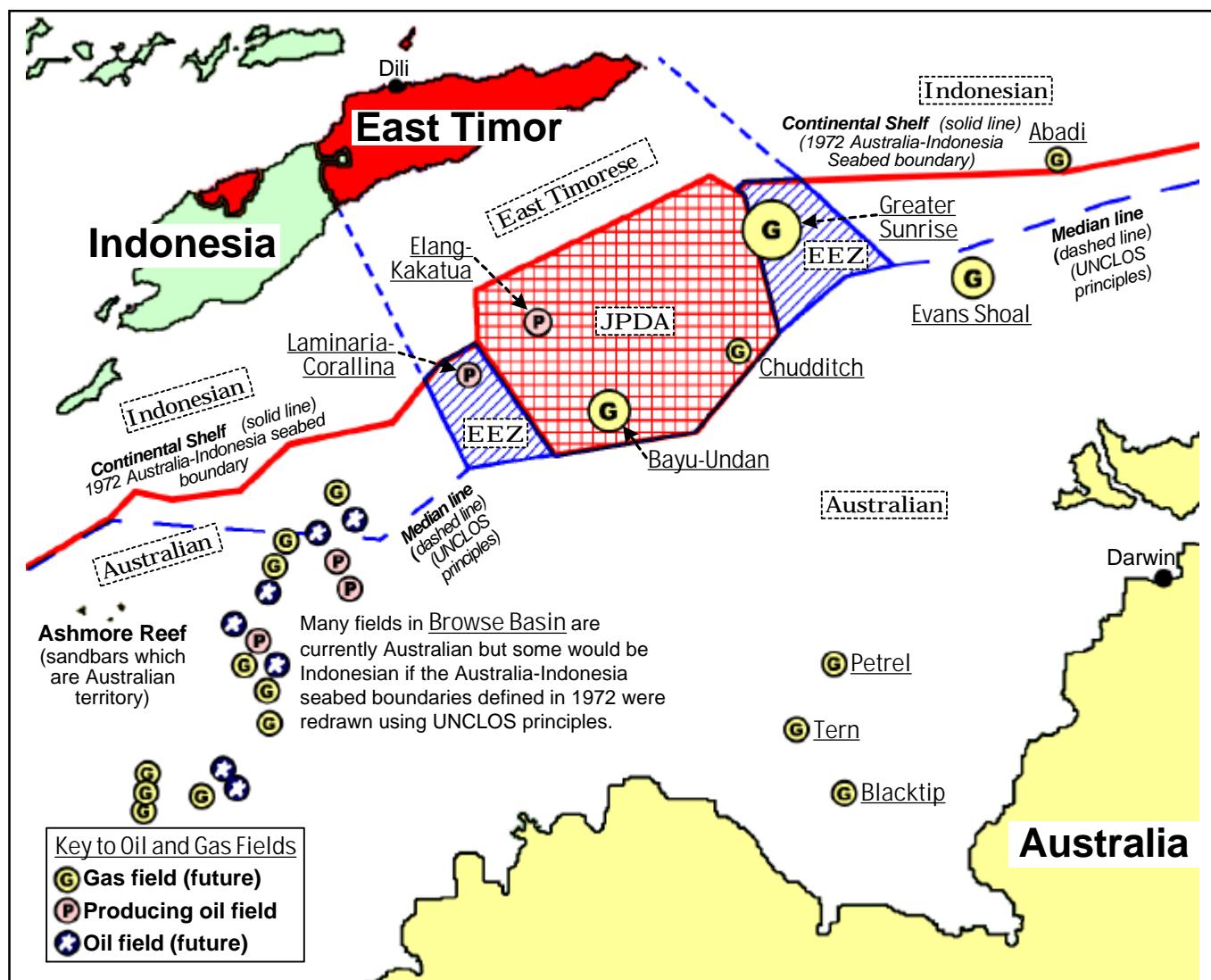
[Australian] Zones which belong to a particular country without question are labelled as such.

**Producing and future oil and gas fields** are shown as circles, next to the underlined field name or connected by an arrow. Larger circles have more resources.

The heavy solid line is the **Australia-Indonesian seabed boundary**, negotiated in 1972. Although this line is based on outdated principles and closer to Indonesia than to Australia, it is still in effect.

The lighter dashed line is the **median line**, halfway between the shorelines of Australia and Indonesia or East Timor. If current Law of the Sea principles applied, this would be the seabed boundary.

There are many oil and gas fields in the **Browse Basin** south of West Timor. Because of the 1972 treaty, these belong to Australia, although some are closer to Indonesia. Since 1931, Australia has controlled four tiny uninhabited islands called **Ashmore Reef**. As a result, Australia's economic zone extends close to Roti and West Timor, including many oil and gas fields.



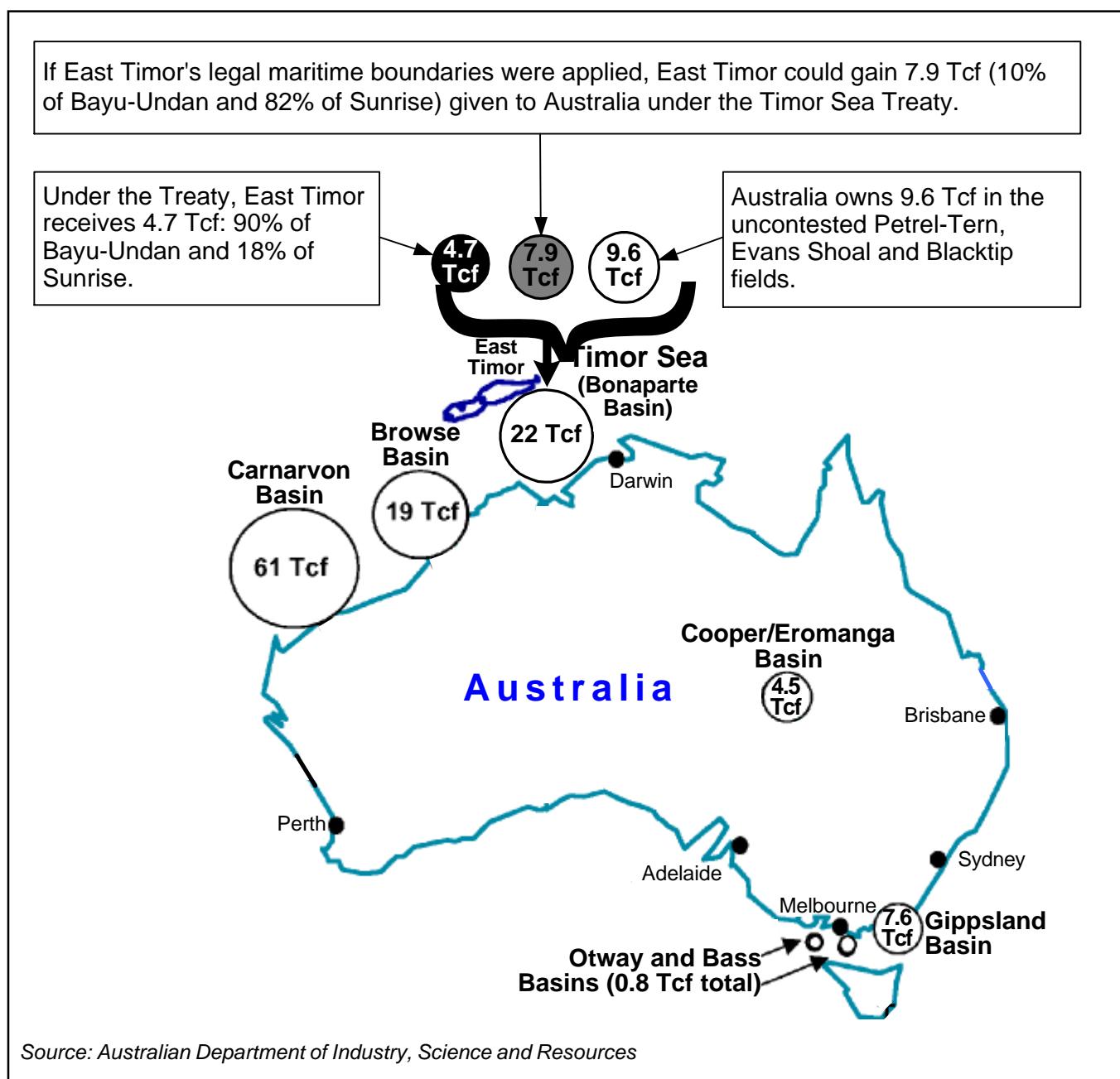
# Four-Fifths of Australia's Gas is Outside the Timor Sea

The oil and gas in the Timor Sea are the only significant petroleum resources available to East Timor, and East Timor's future depends on these revenues.

Australia, on the other hand, has four times as much gas in other parts of its territory, as shown on the map below. Circles show the location of Australia's "Proven and Probable" (2P) reserves of natural gas, where gas underground or undersea could be extracted and sold. The size of each circle represents the amount of gas in Trillions of Cubic Feet (Tcf). Oil reserves are not shown.

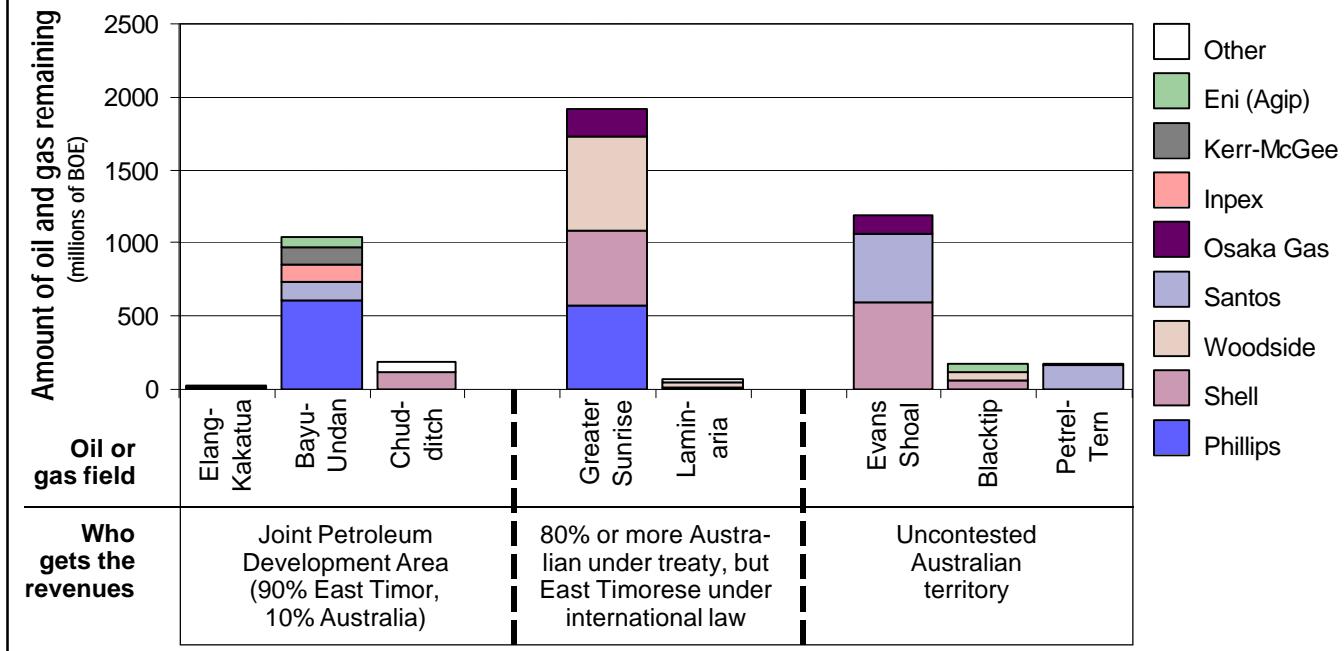
Australia has about 110 Trillion cubic feet (Tcf) of natural gas, with a value of approximately U.S. \$850 billion (\$850,000,000,000). This could produce about \$400 billion in government revenues. Australia has much more gas than it can consume domestically, so most Timor Sea gas will be exported to Japan.

One-fifth of Australia's gas, 22 Tcf, lies under the Timor Sea. Some is in Australian territory and some in the "Joint Petroleum Development Area" shared between East Timor (90%) and Australia (10%) under the Timor Sea Treaty. The Treaty gives revenue from 4.7 Tcf of Timor Sea Gas to East Timor and 17.5 Tcf to Australia. If East Timor's full maritime boundaries were applied instead, 7.9 Tcf of this 17.5 could belong to East Timor.



## Company Shares of Timor Sea Oil and Gas Fields

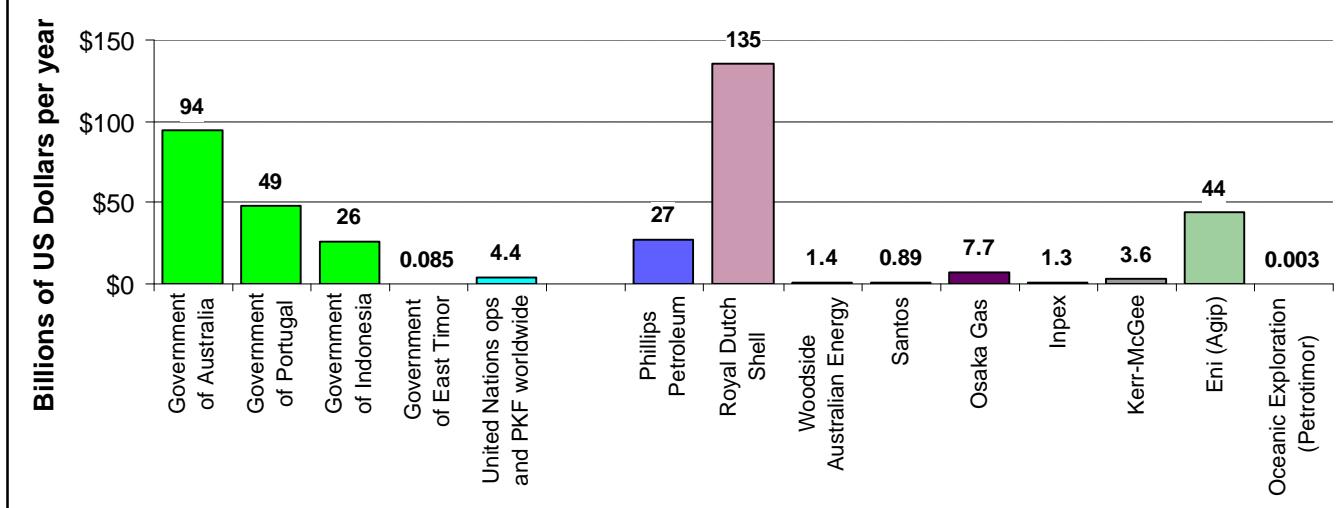
Each bar represents the amount of oil and gas resources in each field under the Timor Sea (22 Tcf circle on Australia map, previous page). Because it includes both gas and oil, the chart shows energy content in "Barrels of Oil Equivalent" (BOE). One trillion cubic feet (Tcf) of gas is equivalent to about 175 million BOE. Within each bar, each rectangle colored with a different pattern shows how much of the oil and gas from that field has been purchased by each company, as indicated on the right. Most of the oil in the Elang-Kakatua and Laminaria fields has already been extracted, and the bars show only the amount remaining.



The money to be made from Timor Sea oil and gas has attracted many international petroleum companies to East Timor's neighborhood. The graph above shows which ones have purchased rights to sell the oil and gas. Phillips Petroleum (USA), Royal Dutch Shell (Great Britain and the Netherlands) and Woodside Australian Energy have the largest shares, and they are operating the oil industry here. Below and on the next few pages, we give some basic information about these and other companies which own gas and oil resources in the Timor Sea.

## Annual Revenues of Governments and Oil Companies

Multinational oil companies are huge and powerful institutions, larger than many governments. One way to evaluate their power is to look at the amount of money involved in their operations. The graph below shows how much money selected governments and oil companies received (revenues, sales and taxes) during 2001. For East Timor and the United Nations, the figures are from their proposed budgets for 2002. The United Nations number includes operations, administration, and peacekeeping everywhere in the world.



## Timor Sea Oil Companies at a Glance

The following brief summaries of basic information and history describe the international oil companies with the largest involvement in oil and gas developments in the Timor Sea. We have tried to make the information accurate, but inconsistencies in reporting and availability of data have required some estimates and approximations.

- ★ Money is given in millions of U.S. dollars, according to each company's Annual Report for 2001. "Assets" is the amount invested in the company, "revenues" is how much they received in 2001, and "profits" is how much was paid to the shareholders (owners) of the company during 2001.
- ★ Reserves are oil and gas still in the ground, estimated in millions of Barrels of Oil Equivalent (mmBOE), from annual reports and other sources. Unless marked as proved (1P), figures are Proved and Probable (2P), indicating a 50% likelihood of containing this amount of energy. One BOE will sell for approximately U.S. \$20.
- ★ "Reserves in Timor Sea" shows the amount each company owns of both East Timorese and Australian parts of the Timor Sea oil and gas deposits.
- ★ The "Timor Sea part of reserves" percentage is an estimate of what part of each company's worldwide total gas and oil reserves is in the Timor Sea. It indicates approximately how important the Timor Sea is to the company's future.



### Phillips Petroleum

Where based	United States
Year founded	1917
Number of employees	38,700
Assets	\$35,000
Revenues	\$26,800
Profits	\$1,661
Where do they get oil and gas?	USA, Alaska, North Sea, Cameroon, Nigeria, Somalia, China, Kazakhstan...
Reserves worldwide (P)	8,700
Reserves in Timor Sea (2P)	1,200
Timor Sea part of reserves	7%

**Phillips Petroleum** operates and owns 58% of the **Bayu-Undan** project and some smaller fields in the JPDA, and is also a 30% owner of Sunrise. In March 2002, Phillips announced plans to sell 10% of Bayu-Undan to Tokyo Electric Power Company and Tokyo Gas, two **Japanese companies who will buy most of the gas** from the field beginning in 2006.

Phillips began dealing with the Suharto regime in 1968 and, in 1991, was in the first group of companies to sign contracts for Timor Gap oil exploration during the Indonesian occupation. The company continued to pay millions of dollars in royalties to Indonesia even after the August 1999 referendum in East Timor. During the UNTAET period, Phillips fought hard (with support from the U.S. government) to limit East Timor's efforts to tax its operations. The company has invested approximately \$1.6 billion in Bayu-Undan. Phillips is pushing for a pipeline from Bayu-Undan to Darwin, and hopes to include gas from Sunrise in this pipeline. Initially, they are selling the liquid fuels from the Bayu-Undan field, and pumping the "dry gas" back underground for later use.

Phillips **will merge with Conoco** later this year to become the world's seventh-largest oil company. Phillips works in all aspects of the oil and gas industry, from exploration and exploitation to refining and retail sales. For the past few years, Phillips has been shifting away from high-risk explorations (risk can come from doubt about oil resources as well as political uncertainty). At the same time, the company has been buying up smaller oil companies.

Phillips' Board of Directors includes two people who directly supported Indonesia's occupation of East Timor:

**J. Stapleton Roy** was U.S. Ambassador to Indonesia from 1995 to 2000 and did little to support East Timor's struggle for independence. During the destruction of September 1999, he explained U.S. inaction by saying "The dilemma is that Indonesia matters and East Timor doesn't." Roy, who now manages Henry Kissinger's consulting firm, joined Phillips' board in 2001. He is also on the Board of Freeport-McMoran Copper and Gold, a U.S. mining company deeply implicated in human rights violations in West Papua.

**Lawrence Eagleburger** was on Phillips' Board from 1993 to 2001 and remains their special advisor on international affairs. In 1975, as U.S. Deputy Secretary of State (under Henry Kissinger), Eagleburger helped conceal Indonesia's use of U.S. weapons to invade East Timor. As Secretary of State in 1992, Eagleburger supported increasing U.S. military aid to Indonesia just after the Santa Cruz massacre. He is also on the Board of Directors of Halliburton, an oil technology company headed until 2000 by U.S. Vice President Dick Cheney.



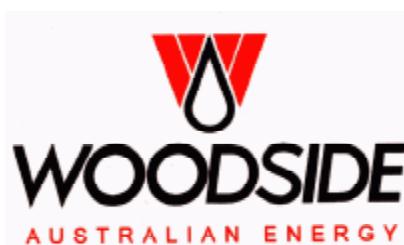
## Royal Dutch Shell

Where based	Britain/Netherlands
Year founded	1890
Number of employees	91,000
Assets	\$183,000
Revenues	\$135,000
Profits	\$12,000
Where do they get oil and gas?	41 countries, including Nigeria, Brunei, Colombia, Malaysia, Gabon, Philippines
Reserves worldwide (P)	19,100
Reserves in Timor Sea (2P)	1,350
Timor Sea part of reserves	3%

**Royal Dutch Shell** owns 27% and **operates the Greater Sunrise field**, and has shares in several other Timor Sea oil and gas fields, including Laminaria. It also owns 50% of the large Evans Shoal gas field and 35% of Blacktip, in the Australian part of the Timor Sea, as well as operating elsewhere in Australia. Shell has purchased more Timor Sea oil and gas than any other company. It plans to liquefy the Sunrise gas at a **floating platform** in the middle of the sea, since it wants to send the gas north and east, rather than to Australia. This would be the first such facility anywhere.

Shell is the **second largest oil company in the world**, with exploration and production on every continent. Shell signed contracts for the occupied Timor Sea in 1991, exactly 100 years after it first became involved in Indonesia (Dutch East Indies). The company has a long history of support for colonialism and repressive regimes, including the German Nazis until 1936.

During the 1980s, Shell was the **target of worldwide protests** over its support for the racist apartheid regime in South Africa. More recently, the company has come under fire for collaborating with a dictatorship and human rights violations in Nigeria, Africa's most populous country. Shell is accused of complicity in the 1995 execution of Nigerian playwright Ken Saro-Wiwa, an environmental activist who was hanged along with eight others for protesting oil exploration. In Europe, environmental NGOs have campaigned against Shell's environmental practices, including dumping toxic waste from its platforms in the North Sea.



Where based	Australia
Year founded	1954
Number of employees	2,420
Assets	\$3,700
Revenues	\$1,430
Profits	\$555
Where do they get oil and gas?	Australia, Cambodia, PNG, Africa
Reserves worldwide (2P)	1,210
Reserves in Timor Sea (2P)	730
Timor Sea part of reserves	40%

**Woodside Australian Energy** operates the **Laminaria-Corallina oil field** in the disputed area just outside the JPDA, and owns 45% of that field. In 2000 and 2001, Woodside's revenues from that field totaled U.S.\$1.1 billion, 38% of the company's income. **Woodside now owns 33.4 % of Greater Sunrise**, after selling off 6.5% last year.

Woodside was one of the first purchasers of Timor Sea contracts, in 1991. The company originally supported Phillips' proposal to build a pipeline to Darwin, but now **supports Shell's preference for a floating facility**, with Japan as the principal customer.

Woodside is an Australian company, with a minority of its operations in Asia and Africa. Most of the company's holdings are off the Northwest coast of Australia, although most of its gas is sold to Asia, with some to the Australian market.

Shell attempted to purchase Woodside in 2001, but was prevented by the Australian government which felt that too much foreign ownership of Australia's energy sources could endanger their security. Nevertheless, Shell owns 34% of Woodside, and three Shell executives sit on Woodside's Board of Directors.

# Santos

<b>Where based</b>	<b>Australia</b>
<b>Year founded</b>	<b>1964</b>
<b>Number of employees</b>	<b>1,713</b>
<b>Assets</b>	<b>\$3,100</b>
<b>Revenues</b>	<b>\$890</b>
<b>Profits</b>	<b>\$272</b>
<b>Where do they get oil and gas?</b>	
Australia, Papua New Guinea, Indonesia	
<b>Reserves worldwide (2P)</b>	<b>724*</b>
<b>Reserves in Timor Sea (2P)</b>	<b>770</b>
<b>Timor Sea part of reserves</b>	<b>50%*</b>

**Santos, Australia's largest gas producer**, has been shifting its priorities from on-shore production to the larger reserves offshore. Santos is heavily invested in the sea off Australia's northwest coast, mostly in Australian waters. The company owns and operates the **Petrel-Tern** fields near Darwin, and also has a 12% share of **Sunrise** and pieces of small fields in the JPDA. It entered the Timor Sea in 1991, during the Indonesian occupation of East Timor. In July 2002, Santos took over from Shell as operator of the large Evans Shoal gas fields in the Australian part of the Timor Sea, of which it owns 40%.

\* Santos' Annual Report gives a number for the company's total reserves worldwide which is less than the amount we believe they own in the Timor Sea. Since this is impossible, our figure for how much the Timor Sea represents of their total is a guess.



<b>Where based</b>	<b>Japan</b>
<b>Year founded</b>	<b>1897</b>
<b>Number of employees</b>	<b>9,264</b>
<b>Assets</b>	<b>\$10,600</b>
<b>Revenues</b>	<b>\$7,683</b>
<b>Profits</b>	<b>\$291</b>
<b>Where do they get oil and gas?</b>	
Indonesia, Brunei, Australia, Malaysia	
<b>Reserves in Timor Sea (2P)</b>	<b>310</b>
<b>Timor Sea part of reserves</b>	<b>11%</b>

**Osaka Gas** supplies gas to customers in the second-largest metropolitan area in Japan, representing about **32% of Japan's total gas consumption**. In an effort to diversify its sources of gas, Osaka purchased 10% of the **Greater Sunrise and Evans Shoal** fields in 2000. However, Osaka remains primarily a distribution and sales company, and is not directly involved in exploration and exploitation operations.



<b>Where based</b>	<b>Japan</b>
<b>Year founded</b>	<b>1966</b>
<b>Number of employees</b>	<b>227</b>
<b>Assets</b>	<b>\$238</b>
<b>Revenues</b>	<b>\$1,256</b>
<b>Where do they get oil and gas?</b>	
Mostly Indonesia, also Australia and 13 other countries	
<b>Reserves in Timor Sea (2P)</b>	<b>130</b>
<b>Timor Sea part of reserves</b>	<b>4%</b>

**Inpex** was formed by Japanese energy companies to buy oil and gas from overseas, initially from Indonesia but recently expanding worldwide. They are responsible for more than one-quarter of all gas exported from Indonesia to Japan. The company first entered the Timor Gap in 1992, and now owns 11.7% of **Bayu-Undan**, as well as shares in some smaller fields.

Inpex also owns and operates the **Abadi** (Masela) field in the Indonesian part of the Timor Sea, east of East Timor. Abadi is not included in the graphs in this *LH Bulletin*.

Half of Inpex is **owned by the Japan National Oil Company**, with the remainder divided among twenty other industrial and energy companies and banks, with the largest shares held by Japan Petroleum Exploration, Mitsubishi, and Mitsui Oil Exploration. Until last year, Inpex was known as Indonesia Petroleum Ltd.



**KERR-MCGEE CORPORATION**

Where based	United States
Year founded	1929
Number of employees	4,638
Assets	\$11,000
Revenues	\$3,600
Profits	\$486
<b>Where do they get oil and gas?</b>	
Mostly USA, Gulf of Mexico, North Sea	
Reserves worldwide (P)	1,500
Reserves in Timor Sea (2P)	120
Timor Sea part of reserves	4%

**Kerr-McGee Corporation** bought the Dallas-based oil exploration company **Oryx Energy** in 1999. Oryx had been in the Timor Gap since 1991, and Kerr-McGee owns 11% of **Bayu-Undan**.

A Kerr-McGee nuclear weapons plant in Oklahoma, USA, was implicated in the 1974 killing of employee Karen Silkwood as she was about to speak to the media. The company was charged with numerous instances of radioactive pollution, but has since left the nuclear weapons business.

Kerr-McGee recently signed agreements with Morocco to explore for oil off the coast of **Western Sahara**. This African territory is illegally occupied by Morocco in defiance of the United Nations, similar to Indonesia's occupation of East Timor. Last January, the UN Legal Office declared that "exploration and exploitation activities would be in violation of ... international law principles." It remains to be seen if Morocco and Kerr-McGee will respect that declaration, or if Morocco will permit the long-delayed referendum on independence to take place.



Where based	Italy
Year founded	1926
Number of employees	71,000
Assets	\$60,000
Revenues	\$44,000
Profits	\$6,900
<b>Where do they get oil and gas?</b>	
67 countries all over the world	
Reserves worldwide (P)	6,900
Reserves in Timor Sea (2P)	120
Timor Sea part of reserves	0.8%

**Eni, the world's sixth-largest oil company**, owns Agip, which bought **British Borneo** in 2000. In 1991, British Borneo purchased 6.7% of **Bayu-Undan**; they later bought 30% of Blacktip. Eni is purchasing more of Bayu-Undan, and will soon own 12.2%.

The company has oil and gas developments all over the world, and their investment in the Timor Sea is a small part of their total operations.



### Oceanic Exploration

Where based	United States
Year founded	1969
Number of employees	18
Assets	\$3
Revenues	\$3
Profits (loss)	-\$2.9
<b>Where do they get oil and gas?</b>	
Timor Sea and Kansas, USA	
Reserves worldwide	nearly 0
Claimed Timor reserves	1,700
Timor Sea part of reserves	99%

**PetroTimor claims rights to oil and gas in virtually the entire JPDA** based on a 1974 contract with Portugal. Today, its claims are not recognized by any government. (See *La'o Hamutuk Bulletin* Vol. 3, No. 4).

PetroTimor is **part of Oceanic Exploration**, a tiny company which owns a few small businesses in different fields. Oceanic is owned by General Atomics, a U.S. nuclear technology company owned by the Blue family. One-fifth of PetroTimor belongs to East Timor.

In addition to advocating a pipeline to East Timor and providing legal advice for East Timor to claim its full maritime boundaries, PetroTimor is suing Phillips in Australian court for its expropriated property in the JPDA.

With fewer than 20 employees in several businesses, Oceanic Exploration has no capacity to develop East Timor's oil resources. Rather, the company is hoping to extract money from companies currently working on Timor Sea oil.

## Report from the May 2002 Dili Donors Conference

The new nation of East Timor is just beginning to recover from its tragic past. Under Portuguese colonialism, the East Timorese people had few opportunities to study, favoring only the children of teachers, civil servants and *liurai* (traditional kings) while most children were unable to go to school. Under the following Indonesian occupation, children had better educational opportunities, but the regime was undemocratic and corrupt. TNI atrocities in 1999 taught the East Timorese some bad lessons, destroying infrastructure and creating a humanitarian disaster. With great difficulties, East Timor is trying to recover from Indonesian rule. But despite the TNI and militia destruction that devastated the country, the East Timorese people are hopeful.

During the transitional phase, governments that had supported Indonesia's occupation reversed their policies and came to East Timor to help. These governments want to mend their past: they want East Timor to see them as benevolent instead of remembering their complicity in destroying East Timor. During the transition the UNTAET Administration was established with the objectives to build East Timorese capacity and prepare for independence. However, other interests often interfered with these objectives. With the transitional period over, the East Timorese are being left to deal with their problems themselves. However, on 20 May 2002 everyone celebrated independence at last and were not daunted by the tasks before them.

At this historic time, the donor governments got together for a donors' conference in the National Assembly building in Dili from 14-15 May 2002. This conference was like the conferences already held in Tokyo (December 1999), Lisbon (June 2000), Brussels (December 2000), Canberra (June 2001) and Oslo (December 2001). Among those giving their visions of how to develop the nation of East Timor were representatives from 28 donor nations, UNTAET chief SRSG Sergio de Mello and Deputy SRSG Dennis McNamara, Prime Minister Mari Alkatiri, Foreign Minister José Ramos-Horta, and World Bank regional director Klaus Rohland. Representing civil society were Joaquim Fonseca from Yayasan HAK and Demetrio Amaral from Haburas. The conference did not offer the civil society representatives genuine opportunities for discussion.

Some reasons for this meeting were:

1. To support East Timor in developing the country by overcoming poverty and other problems.
2. To evaluate the development process and identify priorities for East Timor. This includes how donors can give human resources, material and budgetary support for East Timor's development, in sectors such as agriculture, health, education, and infrastructure.
3. To show continuing support for East Timor.

The donors are giving assistance to prepare East Timor for unassisted self-governance. The East Timorese people appreciate the help from other nations in rebuilding their lives. Unfortunately, however, colonialism, occupation, war and the process of preparing for independence have still left many people in extreme poverty. In many areas outside of Dili there is a lack of electricity, clean water, housing, education or health care. But with the large hopes of this small nation, properly managed support from the donors could help solve the people's problems.

In order to accomplish this the government needs to lay out good development plans, in sectors that are important to truly reduce poverty in East Timor. During this transitional period there has been progress in developing many sectors, such as security, national government, education, agriculture and health, but there are many things still that need to be improved. (See *LH Bulletin* Vol. 3, No. 4).



A statement from UNTAET boasted of great successes during the transition, including the Constituent Assembly elections in August 2001 and the presidential election in April 2002. The presidential election was praised for being conducted peacefully in a secure environment. Other areas that were praised for their progress were health, education, agriculture, transportation, and the creation of a government of the East Timorese people. But all these developments were presented to conceal the whole truth, emphasizing only the positive aspects to the international community while hiding the burdens placed on East Timor's shoulders.

Civil society representatives asked the donors to give more attention to building East Timorese capacity. They called for the development plan process to be more concrete in addressing the people's needs. They also stated the need for transparency and democracy, and grassroots participation in capacity building.

As at previous conferences, the donors made vague pledges of how they planned to support East Timor in the future. Although it is unlikely that all the donors will keep all the promises they make at these conferences, we hope that the support will be forthcoming. Concrete information about donor commitments is not available at the end of June, but we hope to publish it in the future. ♦

## In Brief . . .

On 22 May, **Bishop Carlos Belo demanded that António Sampaio, a Portuguese journalist working for Lusa, be expelled from East Timor.** The Bishop was angry about an article that described the Catholic Church as the most powerful institution in the country and Belo as a more influential figure than Xanana Gusmão. The article also stated that the Church had become more conservative under Belo's leadership. In response, government officials quickly rejected Belo's demand. Prime Minister Mari Alkatiri stated that he would personally "guarantee that the media have freedom in this country, because that's what we fought for," and Foreign Minister José Ramos Horta pledged that he would "never ask for the expulsion of a journalist from my country."

More than a month later, the Bishop wrote an article for a Portuguese newspaper which paid tribute to Portuguese people, including journalists, for their support of East Timor's struggle. The Bishop recounted the difficulties and risks he had endured, begging pardon for his occasional impatience with the media and other foreigners.

On 4 and 5 June 2002, **East Timorese men from across the country gathered in Dili to establish the Asosiasaun Mane Kontra Violensia** (Association of Men Against Violence). The meeting was organized by men who had participated in an international exchange on gender-based violence in March and April 2002. (See *LH Bulletin* Vol. 3, No. 4) Over the two days, representatives from nine districts created the Association and laid out priorities and specific plans for a five-year campaign against gender-based violence, to be conducted with East Timorese women's groups. The Association plans to hold grassroots workshops with men in the districts to discuss issues of power, gender and violence. There are also plans to raise awareness using street theatre, posters and radio programs, and some district-based groups have already begun local campaigns.

The East Timor Ministry of Health presented a **draft National Strategic Plan for the prevention and care of HIV/AIDS** on 7 June at the opening of East Timor's first national AIDS conference. According to Health Minister Dr. Rui Maria Araújo, the prevalence of HIV/AIDS in the country is low, but the number of cases is rising and social factors exist that could lead to a rapid increase in HIV infection. For such reasons, Araújo called upon the government, NGOs, and donors to take remedial action.

*La'o Hamutuk comment: Although there is no program for HIV testing of East Timor's population, the World Health Organization reported in June 2001 that 1.3% of blood donations collected at Dili and Baucau hospitals were infected with HIV. In other countries, this would be considered high, deserving immediate attention.*

Indonesia's Attorney General announced on 13 June that he **did not have enough evidence to prosecute the murderer of Sander Thoenes**, a Dutch journalist believed to be slain by Indonesian troops in East Timor in September 1999. A Netherlands Foreign Ministry spokesman responded "We don't think there is any reason to drop this case. We know what the evidence is, and we think there is more than enough reason to bring this case to court."

In a 20 June press release, Tapol, the London-based Indonesia Human Rights Campaign, described the decision not to prosecute as demonstrating Jakarta's "lack of commitment to justice for the victims of atrocities in East Timor." It is also "connected to the fact that it exposes the role of army officers in systematic abuse against civilians."

On 15 June, a former provincial secretary for the Indonesian government in occupied East Timor testified to Indonesia's *ad hoc* human rights court that **the provincial government diverted between 10% and 20% its budget to anti-independence efforts**, including those of the militia. Nevertheless, former Bali-based regional military commander Maj. Gen. Adam Damiri and former Indonesian police chief for East Timor Timbul Silaen told the court three days later that the Indonesian authorities were not responsible for the violence surrounding the 1999 ballot. "There were not enough military and police personnel on the ground to calm heightened tensions between conflicting community groups," asserted Damiri. "We were undertaking mission impossible."

*La'o Hamutuk comment: Gen. Damiri's statement shows the absurdity of Indonesia prosecuting military and civilian officials only for failing to prevent crimes in East Timor in 1999. It is long past time for an international tribunal to investigate and prosecute Damiri and other Indonesian generals for planning and directing the military/militia destruction of this country, since Indonesia has consistently shown its unwillingness to do so.*

On 19 June, farmers from Aituto village (near Maubisse) wrote to the NCBA coffee project complaining about **run-off from the CCT/NCBA coffee processing plant** in nearby Aitalo. The farmers have regularly voiced complaints to the plant coordinator over the past two years. Every harvest season, discarded pulp from red coffee cherries fills the stream that serves as the village's main water source. The farmers' families are getting sick from the polluted water and the mosquitoes it attracts. The run-off has also harmed local animals and the farmers' crops. The farmers are asking NCBA to provide them with piping to get clean water to the village, and for the coffee pulp to be collected properly for use as organic fertilizer. The processing plant in Aitalo discards some coffee cherry pulp at the roadside, but waste water from the plant flows into nearby streams and heavily pollutes the water in villages several kilometers downstream. (For more on the CCT/NCBA coffee project, see *LH Bulletin* Vol. 3 No. 2-3.)

On the evening of 6 July, the United States Embassy in Dili held a reception to celebrate U.S. Independence Day. Outside the Embassy, East Timorese, Americans and others held a quiet candlelight vigil to remind the celebrants of U.S. government support for the Indonesian military invasion and occupation of East Timor. A statement released by the United Committee for the Establishment of an International War Crimes Court condemned "the hypocrisy of the fact that the United States, a huge nation that speaks highly and constantly of democracy and human rights, could give their full support to such actions that so completely oppose humanity." The group made three demands to the U.S. government: to apologize to the East Timorese people, not to re-establish military ties with Indonesia, and to allow an international war crimes tribu-

nal for East Timor. The statement also noted that "immunity from the law for American troops, recently advocated to protect them from the jurisdiction of the International Criminal Court, also demonstrates the arrogance and tyranny of the United States."

Inside the reception, a few people distributed "Get Out of Jail Free" cards. In a parody of the popular U.S. game Monopoly, the card guarantees impunity for Crimes Against Humanity committed by U.S. citizens after 1 July 2002, the date the International Criminal Court came into being. The U.S. is withdrawing its Military Observers from the U.N. Mission in East Timor as part of its pressure campaign to exempt U.S. soldiers from international accountability for future acts of genocide, war crimes, and crimes against humanity. ♦

### Listen to Radio La'o Hamutuk

Our weekly one-hour Tetum language news and commentary program, *Radio Igualidade*, is broadcast over Radio Timor (formerly Radio UNTAET) every Saturday morning at 10:00 am. Hear *La'o Hamutuk* staffers and other experts discuss the issues reported in our *Bulletin*, and more.



### Who is La'o Hamutuk?

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### Join the La'o Hamutuk Staff

*La'o Hamutuk* is seeking East Timorese and international researchers to join our staff in East Timor. One-year commitment required, women preferred. For the job descriptions and application procedures, look at our web site, contact our office, or email [laohamutuk@easttimor.minihub.org](mailto:laohamutuk@easttimor.minihub.org). Positions available immediately; please apply as soon as possible.

## What do East Timorese Activists Want from International Solidarity?

(continued from back page)

the World Bank. Our political leaders have not demonstrated their commitment to using the international solidarity networks from the past. In fact, they have sometimes been quite distant to the solidarity movement and have not worked to develop new grassroots solidarity ties. Before the referendum, Indonesian solidarity activists were planning, with support from political leaders, to help East Timor develop an alternative telecommunication system which would be grassroots-based and use frequencies that all East Timorese could access. After the referendum, however, this plan was dropped by political leaders. There are many other examples of grassroots development projects in other countries from which we can learn. People in other southern countries can help us learn how to utilize our local resources to produce things we need like soap, candles, and honey. Solidarity is not only about working against something, such as a repressive military order; solidarity must also work to create something. We must work together now for a model of development that recognizes and prioritizes self-sufficiency over participation in an unjust global economic system. I think that the main role for international solidarity now is to offer experiences and alternative development models that can be developed here in East Timor. Friends in other countries have more experience and thus better understand this current international economic order that we are entering. We need to work together to understand and combat globalization that does not work for common people's needs. This is a priority for us.

Solidarity with East Timorese women must focus on education, empowerment and justice.

*Laura Abrantes, Rede Feto Timor Lorosa'e - the East Timorese Women's Network*

Women have long been denied educational opportunities. Women need to study many different subjects. One especially important area is political processes. International solidarity can help us to obtain scholarships for study abroad. Most scholarships for international study go to men. Women need knowledge – particularly leadership and management training - in order to be empowered to more fully participate in this new nation. We need international support for the rights of survivors, and we need justice for all victims and survivors of violence. We need the support of the solidarity movement to monitor the justice processes in both Indonesia and East Timor. We need a lot of support for an international tribunal for war crimes carried out in East Timor, which must include crimes against women. We also need the safe return of East Timorese refugees. There are many cases of East Timorese women who are married to Indonesian military officials and although the women wish to return to East Timor, they are not allowed to do so. Without international pressure on Indonesia and the Indonesian military, these women may never be able to return home. There also must be pressure on Octavio Osorio Soares, currently in Indonesia, to return the East Timorese children who were stolen and whose parents wait for them in East Timor.



East Timor now needs to build more solidarity partnerships, relationships which are based on understanding and love.

*Maria Dias, PAS Health Clinic*

Solidarity is a very good relationship between two communities and all people of the world, in which there is a deep respect for the others' rights, culture, and identity. While far away, one group works to understand the situation of the other, and from this understanding, solidarity grows strong. Feelings of solidarity will make people open themselves, give of themselves, and give up luxuries in order to help others. Solidarity is based on a great love. Now, as a new self-governing nation, we need to work hard to build even stronger relationships with other nations, both to develop our own nation and also to offer our solidarity to others. If we could build solidarity ties between people of all nations, if we could build a circle of international love, we could live in a world based on principles of justice and peace. One concrete example of this is *La'o Hamutuk* where East Timorese and internationals are working together, learning from one another to do work that is needed. We must set clear priorities and plans together. With solidarity, we can learn from other countries. Because we still lack needed skills and resources, we must focus on building our capacity and knowledge, starting with small and concrete skills that will help the poorest people in our new nation. While we need money, this is not the answer to our problems. Solidarity is about concrete actions based on understanding and love.

We need international justice in order to reclaim our sense of self-respect and human dignity. And we need friends willing to work together with us, with a commitment to East Timorese self-determination and self-sufficiency.

*Ze Luis de Oliveira, Yayasan HAK - Law, Human Rights and Justice Foundation*

East Timor is now free from colonialism. But this freedom is only one step in the long process to true independence. As a result of hundreds of years of repression and colonialism, our people now live in poverty, both economically and from a severe lack of skills. And so, we still have a long way to go in our struggle for liberation. We must build up our skills as well as regain the dignity and humanity which colonialism trampled. In this context, we still need international solidarity. We never asked for the destruction imposed by imperialism. The resulting poverty we now face is a responsibility of the international community. An international tribunal is one important way to reclaim dignity for East Timorese. We need international solidarity to help us uncover the past, to declassify official government documents and hold those international lead-

ers who directly or indirectly supported crimes against humanity in East Timor accountable. Our history must not be rewritten in the interests of imperialism and colonialism. We need solidarity based on principles of equality not exploitation.

Today, there are many internationals in East Timor who claim to be working in solidarity with us. I think most of them, however, do not represent the spirit or service of true solidarity, but instead prioritize their own interests: advancing their own careers, salaries or business. Instead of helping us truly rebuild, they exploit our poverty for personal gain. For example, in the legal sector, people from Portuguese speaking countries came "to help" develop a legal system here, but in reality they are simply implementing their own system without trying to learn or identify local potential and then raise that up. This is exactly like during the Portuguese era or when Indonesia came. This is a new kind of colonial system. And it is not only in the legal system, but also in national administration and the economy. Everything is from outside, not processed from the grassroots, not looking at the problem together and using international experiences as a reference only. In our present context, we must remember that solidarity with another community means helping them become self-sufficient and truly independent.

It is now time for East Timor not only to receive solidarity, but to offer solidarity to other peoples around the world and work together for international justice.

*João Sarmento, Student Solidarity Council*

We value the support from solidarity groups both in the past and present. This support must focus on the most pressing needs of the East Timorese people, such as in the economic sector and in terms of information, media and technology. It is also good for us to become a part of the international solidarity movement and not only look at our own problems. Many of the problems we face here in East Timor, such as structural poverty, underdevelopment, militarism, illness and human rights violations are also problems in many other countries. These are problems in Latin America, Africa and other countries in the Asia-Pacific region. For example, the problem of democratization and human rights violations in Burma, and self-determination for the people of West Papua, Aceh and Western Sahara. Here in East Timor, we are struggling to build a nation on a democratic foundation that respects human rights and justice. Our struggle in the future is how can we work together with solidarity groups for an international tribunal for East Timor to give value to the universal principles of humanity. These principles are not limited to East Timor nor to one period of time. Let us struggle in a collective and cooperative manner for a world that is more humane. ♦♦

## What do East Timorese Activists Want from International Solidarity?

International solidarity has played a key role in the struggle for East Timor's independence. Since the withdrawal of Indonesia in late 1999, thousands of internationals have come to assist in the reconstruction of East Timor. Some were formerly active in East Timor's international solidarity movement; many more came with little knowledge of East Timor. Today, as East Timor begins its life as an independent nation and the foundations are laid for future government and social structures, it is important for internationals wanting to act in solidarity with East Timorese to examine their own attitudes and priorities. And it is critical to listen carefully to the voices of East Timorese women and men at all levels.

On 23 May 2002, *La'o Hamutuk* sponsored a meeting with international solidarity activists and East Timorese community activists to discuss: "What does international solidarity mean for an independent East Timor?" At the meeting, all agreed that international solidarity is still critically important, but it will not be the same as it was in the past. A major goal of the meeting was for international solidarity members to listen to East Timorese activists describe their ideas about the new meaning of solidarity and the main issues that need attention. Four main priority areas were identified for solidarity work: international justice and advocacy for an international tribunal, economic justice, social development, and the exploitation of oil and natural gas in the Timor Sea (all of which will continue to be addressed in future *Bulletins*).

Below, *La'o Hamutuk* board members and other East Timorese activists who have worked closely with the solidarity movement answer this question. These are only a few voices, but they offer important perspectives for the international solidarity community.

Solidarity with East Timor must align itself with those who are the most marginalized.

*Manuela Leong Pereira, Fokupers - East Timorese Women's Communication Forum*

I think that the priority for the international solidarity movement must be to align itself and support those who are most marginalized such as women and all those who are not heard. Civil society groups, including NGOs, are still very weak and marginalized by the government. We are now struggling to build a new democratic nation, free from corruption and collusion – problems which people have gotten used to but want to stop from emerging again. The voices of the people will be greatly strengthened by advocacy and support from the international solidarity movement to challenge what is not right, what goes against our principles. For the women's movement, we feel that international solidarity is critical. We need solidarity in continuing to support women's advancement, assist in advocating for the rights of women, and help in developing women's skills so that together men and women can develop this nation.

We hope that international solidarity will help civil society groups to see the reality of their situation, and work to truly support East Timorese at the grassroots. Please don't only listen to the rhetoric of our government and political party leaders; you must also look at what they are doing for the people. We need international solidarity to build Timorese women's capacity; to support our demands for real justice for the victims of the war; and to join our struggle for equality between men and women.

Solidarity is about people-to-people relations and giving new options and alternatives to the dominant, World Bank-led models of development.

*Nuno Rodrigues, Sa'he Institute for Liberation*

It's time to redefine what international solidarity means. During the transitional period of the past few years, we didn't see a lot of grassroots international solidarity here. Instead, we were flooded by foreign governments – such as the U.S., Australia and Japan, which had supported the Indonesian occupation - and international institutions like

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## What is *La'o Hamutuk*?

*La'o Hamutuk* (*Walking Together* in English) is a joint East Timorese-international organization that monitors, analyzes, and reports on the principal international institutions present in Timor Lorosa'e as they relate to the physical, economic, and social reconstruction and development of the country. *La'o Hamutuk* believes that the people of East Timor must be the ultimate decision-makers in the reconstruction/development process and that this process should be democratic and transparent. *La'o Hamutuk* is an independent organization and works to facilitate effective East Timorese participation in the reconstruction and development of the country. In addition, *La'o Hamutuk* works to improve communication between the international community and East Timorese society. *La'o Hamutuk*'s East Timorese and international staff have equal responsibilities, and receive equal pay and benefits. Finally, *La'o Hamutuk* is a resource center, providing literature on development models, experiences, and practices, as well as facilitating solidarity links between East Timorese groups and groups abroad with the aim of creating alternative development models.

*In the spirit of encouraging greater transparency, La'o Hamutuk would like you to contact us if you have documents and/or information that should be brought to the attention of the East Timorese people and the international community.*