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How Canberra and Woodside 'bugged' Timor PM to strip fledgling nation of oil billions

EXCLUSIVE

PAUL CLEARY

WHEN Australian workmen turned up with an enormous crane to renovate and reinforce the office of the East Timor prime minister in early 2004, they looked like Paul Hogan in his bridge-painting days as they donned "stubby" shorts and ragged shirts with sleeves cut off.

The workers from north Queensland construction firm JJ McDonald & Sons had been commissioned by the Australian government to renovate the prime minister's office and build a new "situation room" inside the roof cavity of the building known as the Palacio do Governo (Palace of Government).

The room was designed to give the prime minister a safe haven in the event of riots, or more serious situations, and to allow him to control security forces.

Timor's then prime minister Mari Alkatiri must have thought the offer of better security had strong merit because he was feeling insecure at the time. About a year earlier his residence had been torched by a mob of angry protesters. Australia's spy agency ASIS most likely saw this event as an opportunity to get inside the prime minister's office. It is surprising, however, that Mr Alkatiri agreed to works carried out by an Australian contractor, given his well-founded fear at the time that he was being bugged by ASIS.

ASIS is believed to have used the McDonald contract to bug the prime minister's office just as Timor was ramping up its demands for Australia to come to the negotiating table and agree to a fair division of the oil and gas resources of the Timor Sea.

In an application for international arbitration in The Hague, East Timor will use the affidavit of a former ASIS agent to allege that the construction work funded by AusAID planted listening devices inside the walls of a meeting room adjacent to the prime minister's private office.

Numerous meetings with Mr Alkatiri and East Timor's negotiating team took place in the

meeting room, which is adjacent to the prime minister's private office.

The McDonald contract provided the perfect vehicle to bug the office because it gave unfettered access to the building, including the roof cavity.

The works were so extensive that the large crane caused traffic jams in the streets running alongside the Palacio.

The family-run company founded in the 1920s by John Joseph McDonald helped to build Victoria's Great Ocean Road using soldiers who had returned from World War I. After Dili was virtually demolished by Indonesia in 1999, the company set up an office there and secured lucrative work.

In 2004 it was owned by Richard McDonald, a descendant of John, who then sold the business in 2007 to the national firm Watpac. Mr McDonald declined to comment when contacted by *The Australian*.

The East Timor operations were established and managed in 2004 by Richard Sippel, who is now a general manager with a business in Darwin.

When asked via email to be interviewed generally about his work in Dili, Mr Sippel said he had spent 12 years in East Timor and did not have a good recollection.

If the former agent's allegations are true, ASIS's timing was impeccable. The bugging coincided with an intensive round of negotiations between East Timor and Australia over Timor's demand for a maritime boundary between the two countries in the Timor Sea. The first meeting took place in the Hotel Timor in April 2004, and negotiations continued into late 2005. At the time, Australia and East Timor had signed the Timor Sea Treaty, which gave East Timor a 90 per cent share of the area covered by the treaty.

Australia hoped that the treaty marked the end of the affair, whereas East Timor saw the treaty as a stop-gap measure that would be followed by maritime boundary negotiations.

The TST was negotiated by the UN transitional administration, with the involvement of Timorese leaders, and was signed by Mr Alkatiri and John Howard on May

20, 2002, the day East Timor became a nation. East Timor's only lever against Australia was a related agreement for the biggest-known field in the Timor Sea, the proposed Greater Sunrise development, which is managed by Woodside. The agreement gave an 82 per cent share of the future revenue to Australia and 18 per cent to Timor, with the revenue worth tens of billions of dollars depending on oil prices.

By refusing to ratify this agreement, East Timor was able to bring Australia back to the negotiating table.

The negotiations that began in April 2004 culminated in a treaty known as the Certain Maritime Arrangements in the Timor Sea, which adjusted the revenue split for Greater Sunrise to 50-50. This treaty required both countries to suspend maritime boundary negotiations for 50 years.

This treaty was signed in Sydney by Mr Howard and Mr Alkatiri in January 2006.

Throughout these negotiations, East Timor's ministers and advisers operated on the premise that all of their phone calls and emails were being intercepted by ASIS, but no one expected that the office would be physically bugged.

Mr Alkatiri had been warned by former US ambassador Peter Galbraith that he should expect that all his communications were being intercepted by ASIS. Mr Galbraith advised the Timorese on the negotiations from 2000 onwards, and his former role as an ambassador gave him an intimate understanding of what Australia's security service was capable of doing.

In addition to bugging, there's strong evidence indicating that a senior member of East Timor's negotiating team was bribed or blackmailed by ASIS during the negotiations. As well as engaging in espionage, bribery and blackmail are part of the toolkit used by ASIS to achieve its objectives.

It was during talks held in the bugged meeting room that the team member strongly urged Mr Alkatiri to capitulate and accept a very low offer from Australia of \$3 billion to settle the dispute, rather than the percentage share



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that East Timor was pursuing. It's possible that this team member knew the room was bugged and he was letting his paymaster know that he was earning his keep.

None of this would have come to light had the former ASIS agent not felt a sense of betrayal when he learned that the former foreign minister Alexander Downer had worked as a lobbyist for Woodside after leaving parliament in 2008. Instead of his work to facilitate the JJ McDonald contract being for the benefit of Australia's national interest, he realised that it was also for the benefit of Woodside.

East Timor's legal counsel plans to argue at The Hague that the Australian government and Woodside were working together and that the bugging gave the company a commercial advantage.

A preliminary meeting between the two countries was held last month at the Permanent Court of Arbitration in The Hague.

The former ASIS agent's disclosure and East Timor's bid to have the treaty declared void led to an extraordinary ASIO raid on the Canberra office of Bernard

Collaery, an adviser to East Timor on the application, in early December.

As it turned out, the situation room proved to be necessary just two years later when Mr Alkatiri sacked half of the 1500-strong army and stirred up another angry mob that brought down his government and plunged the country on to the brink of civil war.

The author was an adviser to the East Timor government on Timor Sea negotiations 2003-05



The Timorese PM's office in Dili; John Howard and Mari Alkatiri sign the Timor Sea Treaty in 2002



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Letters hold spy key

A very interesting article by Richard Ackland regarding the Australian Security Intelligence Organisation raid on a lawyer's office ("Brandis' security clean-up left out messy questions", January 3).

The issue of any extant correspondence is particularly interesting. Presumably Witness K and/or his lawyer, Bernard Collaery, still hold copies of the letters from the then inspector-general of intelligence and security, Ian Carnell, to Witness K and referred to by Ackland.

Ackland says neither the current inspector-general, Vivienne Thom, nor Carnell have any recollection of any current or former ASIS officer raising concerns about East Timor.

Does this mean that these inspectors-general merely consulted their memories? I would be most surprised if there was not a file or files relating to this matter.

Perhaps, Witness K or his lawyer should make an FOI request to see if any files relating to this matter do exist and for any details about when and by whom such files, if they exist, were recently requested. Such a request would be difficult to refuse on national security grounds.

After all the request is not to see the content of the file, but merely some administrative detail. But, as Mr Ackland opines, this all a bit too cute.

Ronald Binder Hurstville